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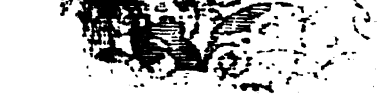

THE TRUCE IN THE EAST AND ITS AFTERMATH

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[Frontispiece.

THE CHINESE NON-COMMISSIONED OFFICERS OF THE WEIHAIWEI REGIMENT.

THE

TRUCE IN THE EAST

AND ITS AFTERMATH

BEING THE SEQUEL TO

'THE RE-SHAPING OF THE FAR EAST

BY

B. L. PUTNAM WEALE

AUTHOR OF 'MANCHU AND MUSCOVITE'

WITH ILLUSTRATIONS AND MAPS

New York

THE MACMILLAN COMPANY

LONDON: MACMILLAN & CO., LTD.

1907

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Set up and electrotyped. Published March, 1907.

PREFACE

THE time has now come when a further estimate of the actual conditions obtaining in the Far East seems desirable. In a former volume, *The Reshaping of the Far East*, an effort was made to present in readable form a detailed account of things as they then existed in further Asia, and also to show what might be expected to occur in the immediate future. Yet although upwards of a thousand pages were devoted to that analysis, the sudden conclusion of the Portsmouth Treaty and the state of affairs created by the new Anglo-Japanese Alliance render a sequel not only advisable, but highly necessary.

In the pages which follow, many questions are dealt with faithfully and in a manner which may occasion pain to those who have come to the conclusion that the Far Eastern problem is at last as good as settled. That such is not the case, however, is already patent to observers on the spot, and as realisation of this fact grows from day to day, the outlook is naturally occasioning them some

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apprehension. To give but one instance, it may be said at once that the Manchurian Question is just as acute in a new and more subtle form as it has ever been before, and that there, indeed, the germs of great future trouble are already to be discerned. Similarly, the position in Korea is still highly unsatisfactory; whilst in China very great new obstacles to be overcome have already grown up. The rise of Japan as a military monopolistic power, which has been in part assisted by the indirect action of the British Government, may in time become a most serious matter for China, since careful inquiries tend to show that final success can attend the Island Empire of the East only by the partial extinction of existing boundary-lines and interests, which may, therefore, ultimately come to be of first-class importance. In other words, Japan, if her present policy is developed in intensity as time goes on, must perforce progress along certain lines; and the one escape from a consequent *impasse* must be that China shall become a sane modern power with extraordinary rapidity. But besides writing a note of interrogation, a note of warning needs also to be sounded. At the present moment the question of the Anglo-Japanese Alliance is admittedly a delicate subject, since England owes much to Japan, and Japan hardly less to England. At the risk, however, of being roundly denounced,

it is incumbent on any student of the politics of Eastern Asia, unless bereft of all courage, not to shrink from the task of recording in blunt language the tendencies of the day. That all the contentions and arguments advanced in the pages which follow are necessarily correct, it would be arrogant to claim. Perhaps the most that can be said for them is that they have been honestly written; that they may serve to shed a little light on questions already beginning to be obscured; and that they are but the unfinished results of an unending life-study.

As usual, there are in this volume some "travel" chapters, whose presence in a serious work may perhaps be excused on the ground that they show the reader something of regions which are none too well known—regions which were visited under some discomfort immediately the terms of peace had been arranged. These chapters merely give the impressions which flash across the mind of the European on his way through the country. In this connection no hesitation has been felt in returning to the important subject of Port Arthur, which not only possesses immense historical interest (since the strange story of the past eight years began in Port Arthur in 1898), but which may once more become a matter of daily discussion should another Chinese war ever take place.

In the appendices have been inserted as many

documents as are considered peculiarly pertinent to the subject-matter of the political chapters. These documents should be carefully digested by the reader in order to assist his understanding of the basic facts; their inter-relation is most interesting to note. A study of the map is also strongly recommended; for unless map-reading is indulged in, the significance of much of the text can be only imperfectly realised.

At the moment of writing, everything tends to confirm the opinion that only a ten years' truce has set in. It will, accordingly, be one of the greatest constructive victories of diplomacy if, during the nine years of the Anglo-Japanese Alliance which have still to elapse, a permanent Far Eastern peace is evolved. Such a peace can be secured only by the steady growth of the New China. It is to be hoped, therefore, that attention will continue to be as strongly directed towards the Far East as it was during the war; there are, in truth, great things in the making at the present time, and those who keep their eyes open will find their own reward.

B. L. PUTNAM WEALE.

CHINA, *August* 1906.

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PART I

JAPAN AND THE NEW POSITION

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CHAPTER I

THE COMING OF PEACE

AFTER the lapse of nearly a year, it is both useful and instructive to obtain, as a starting-point for some fresh investigations into the true conditions of the disordered East, a clear understanding of the circumstances which surrounded the coming of a peace which was so detested in Japan. It is instructive, because it shows something of the real feelings of a population which is habitually silent as the grave; it is useful, because although certain affairs of the East were nominally decided at Portsmouth, the settled Far East disagreed with that decision. Whilst the civilised world applauded, the further East stirred uneasily, and even broke into violence in the portion most affected, which was, for the time being, Japan.

From one end of Japan to the other, the peace negotiations had been watched with the keenest and most intelligent interest and anxiety. It is true that in many districts the telegrams of yesterday, and even those of the day before, gave as much news as the slow-moving world of rural Japan—

which is three-quarters and more of the real Japan —appeared desirous of knowing. For what is not known to-day will be known to-morrow, infallibly, inevitably; every Japanese who is born into this world knows that, and knowing it, calmly appreciates the fact with quiet nodding.

But although slow-moving Japan, which is the rural three-quarters, seemed a little dullard about the negotiations, it was not really so; it was only very patient. It knew that the great centres, with Tokyo leading, were doing all the necessary work in this watching, and that in at least three or four cities the progress of the peace proceedings was being recorded almost hour by hour. This knowledge made it easy for the rest of the island world, which really knows so little of the greater world without, to wait patiently and without undue concern. And then, there were, after all, but two possibilities—this the Japanese Government itself had allowed to be stated countless times without any shadow of contradiction. Either Russia accepted the Japanese terms, or the war would continue. Those were the possibilities, and every one was prepared for either one or the other.

By the 26th of August every Japanese, all the Empire over, knew the real Russian attitude and understood clearly its import. Russia was willing to retreat merely from her intolerable *ante-bellum* attitude, and to record her consent to this in a solemn treaty; more she was not prepared to do. Cession of Russian territory, payment of an indem-

nity, and anything else of importance, were out of the question; and if, in spite of the Czar's frown, these continued to be demanded, the war must roll on to the bitter end of exhaustion. In other words, Russia was quite willing to abandon those things which she had obtained from the putting into execution of the modified Cassini programme, drawn up as one of the great results of Japan's war with China. Nine years of adventure—the years that had given the Port Arthur lease, the Central Manchurian railway, the wholesale invasion of Manchuria itself, and the breaking down of Korean frontiers—were to be atoned for by wiping clean the slate in the manner indicated. The dream of immediately creating a Russo-Chinese Empire and thus encroaching on Korea was to remain only a dream — that the Russian Plenipotentiaries were willing to admit, since the dream had been sharply dispelled by the disgraceful fall of Port Arthur, world-shaking Moukden, and the crushing battle in the Sea of Japan. These were the "accepted facts" of which Minister de Witte loved to speak and beyond which he refused to look. But Saghalien, the indemnity, the limitation of Russian naval strength, the rendition of interned war-vessels, the severing of Vladivostock from Siberia by the handing over of the Trans-Manchurian railway (which last step would have meant the sacrificing of belly-feeding and important Harbin); these were not only not accepted facts, but were something quite different, from the Russian point of view. And

why? Because they could not be directly connected with the "Manchurian adventure" which had finally led to the Japanese War; they belonged to a peculiar category of previous "affairs," only indirectly concerned with Japan. Thus the Russians argued that Saghalien, although it had once been claimed by Japan, really belonged historically to the Manchus, if to any one; that the Trans-Manchurian railway, that is, the Baikal to Ussuri line, had been openly and willingly sanctioned by China as a sequel to the Chino-Japanese War, after the impracticability of putting the whole of the Cassini Convention into operation had become patent; that the war-vessels merely stood for Great Russia of Peter's dreams; that Vladivostock was one of the first practical results of Muravieff's irresistible pressure to the Pacific in the fifties; and finally, that an indemnity would have meant not only that Russia had been sharply rapped over the knuckles as a result of her cynical behaviour on the edge of the Asiatic Continent, but also that she had been actually beaten to her knees in a great war of exhaustion. That the latter was the case she would never openly allow, unless practically forced to do so by the occupation, at the very least, of the entire territories lying east of Baikal by the Mikado's valiant soldiery.

Of course most of the above was quite hidden from the great masses of the Japanese population, when they said over the length and breadth of the country on the 26th of August that the negotiations were ending in complete failure. But although the

masses of the population could not clearly explain these things with the aid of their heads, their hearts knew almost everything instinctively. They argued that Russia had consented rapidly enough to a number of things which every one knew were directly connected with the disastrous aftermath of the Chino-Japanese War and the faulty Japanese diplomacy which had then followed. But even though it was admitted that Japan had seriously interfered with Russia's expansionist programme, Russia was still pleased to treat the oriental Empire *de haut en bas* and to offer loftily an arrangement which could not but be distasteful to every Japanese, since it was a settlement appropriate to a small frontier war but not to the great conflict which had been raging so fiercely. Every Japanese, judging with his heart alone, felt not only that although the Korean question and the Liaotung question might be settled outwardly, the question of the mastery of the north-eastern edge of the Asiatic Continent (in which must always lie the key to the peace of the Far East) would not be permanently settled, but that in not more than ten years' time everything might have to be begun over again, unless the age of miracles were to return.

After the final Council of State and Palace Council had been held on the 27th of August—those meetings without which nothing important to the country can be decided in modern Japan—every one was certain that the negotiations were to be broken off immediately, unless Russia suddenly

changed her point of view and bowed her head to the inevitable. Men and women all over Japan were joyful at these rumours, for the negotiations had already lasted long enough and had disgusted every one by their curious course. Japan had been so successful on the field of battle that she was fast losing prestige, thought her people, by her curious timidity in the Council Chambers. Everywhere the report now spread, that it was no longer a question of Russia being given time to make up her leisurely mind; there was to be an ultimatum which would expire with the end of the month of August. Then, with all the suddenness of a thunderclap, on the afternoon of the 30th a *gokai*, or "extra," flung feverishly around by newspaper boys adorned with the loudly-clanging bells which eloquently advertise their calling, announced the startling news that the Peace Conference had arrived at a complete agreement on all points. These *gokai*, hastily flung in big bundles into the trains, carried the fateful news rapidly to all points near the capital; elsewhere the telephones and telegraph were already rapidly telling their message. It was an extraordinary moment, such as may not be witnessed twice in a lifetime.

This meant peace—immediate peace—but what peace, since all details were withheld? The semi-official *Kokumin*, issuing an extra edition in a manner which suggested that much thought had once more been expended on an estimation of the psychological moment, quickly justified the

worst fears. It was semi-officially announced from Portsmouth that Japan had withdrawn her demand for an indemnity and her other obnoxious claims, and that she had agreed to share Saghalien with Russia, the fiftieth parallel to serve as a frontier line. Men sat gasping with these two "extras"—the peace "extra" and the explanatory "extra"—in their hands. The meetings of the Elder Statesmen and Ministers of State had been completely misunderstood, and the Government had sacrificed the people on the altar of peace. That is what the millions first said. Never had there been so much feeling since Count Okuma was almost assassinated for planning to allow foreign judges to sit in Japanese Courts. The net result of this news, soon confirmed from all quarters, was to produce the most profound amazement and concern, not only in the great cities, but in every village and hamlet of the Empire. It took people fully forty-eight hours to realise what had been done; to realise that the peace of the Far East had been restored for at most only a few years; to understand not only that Saghalien had not been gained, although it had just been conquered with sword and bayonet, but that the indemnity had been lost; that Japan, whose martial spirit was still throbbing fiercely and was desirous of settling once and for all the great Russian question, had to fall back again, as after the Chinese War, dissatisfied, and with the prospect of the struggle having to be renewed.

This was a terrible discovery for the people, who had been stinting themselves in a thousand ways for many months, and steeling themselves to bear losses. And then again nothing so enrages the wrestler who has prepared himself sedulously by careful training, and who has already reaped half his reward by flinging down opponent after opponent, than to be suddenly stopped by his backer, and told that it has been arranged that the stakes be withdrawn and that he must content himself with the moral value of his victories. That was what was generally thought.

So profound was this general astonishment that the Japanese newspapers at first made no editorial comments on the peace terms, but merely announced the bald news. They too seemed stunned. But this was the calm before the storm. On the 1st of September, the press of the capital began the attack specifically, and in the columns of every sheet, from the commercial *Jiji*, which boasts of 300,000 subscribers, to the scurrilous *Niroku*, which carries favour with the scum of the *Yoshiwara*, the bitterest epithets were applied to every member of the Government. Only two newspapers confessed themselves satisfied with the peace which had been made, and their satisfaction sprang from intense alarm.

By the 2nd of September the bitterness in the newspaper columns had already deepened into despair and utter hopelessness. Alas! Alack a day! Why had Japan entered into this Titanic struggle, which had cost her at least 100,000 victims, if only

to achieve almost negative results? Why, indeed, had they ever fought? If ever newspapers voiced popular feeling, these Japanese sheets, since accused of inflaming the masses, did so most eloquently at this time.

It did not take long, with things in this condition, for an uglier note to rise above the storm of protests, a grim note which appealed to the baser natures of a nation which knows how to die in masses as does no other people of the twentieth century. Briefly, assassination was so clearly recommended by certain sheets as a palliative to the insult that the Tokyo authorities, almost paralysed by the unexpected violence and strength of the denunciations pouring in on them from all sides, began to become most seriously alarmed. The papers, instead of abating their violence, grew more steadily vindictive in tone — with the two exceptions already mentioned. The semi-official *Kokumin*, striving to save the Government and to stem the rising tide, became more and more odious to all; the second sheet, the Japanese equivalent of the *Financial Times*, was advising calm from genuine alarm. For on the 31st of August the formal announcement of peace had created a veritable panic on the Tokyo Stock Exchange, surely the first time in the history of finance that the ending of a costly but successful war has decreed such a strange result. But the reason for this thing, which is at first sight so inexplicable, is not hard to understand. It was merely

the reflex action of the intense disappointment of all classes; the sudden bringing home to all that the period of speculation was at an end; and that all the throes of a reconstruction of huge dimensions would soon have to be gone through.

By the 5th of September attitudes had taken more definite shape, and it was quite clear that the nation's disappointment was so deep that nothing could eradicate it for the time being; and since everything in the capital had been at a standstill from the afternoon of the 30th, on the 5th of September all Tokyo wended its way to Hibiya Park, the Hyde Park of the country, where a mass meeting was to be held protesting against the detested Peace. It is already a point of great obscurity as to what would have happened in this Park, and afterwards, had the Tokyo police not acted in the arbitrary manner they did in barricading all the entrances and approaches. Many contend that there would have been no disturbance in Tokyo at all had the people been left untouched; others say that the mob's plan of campaign had been decided on long before this Hibiya Park meeting. This point may be cleared up later on; for the time being it is unwise to say anything further.

The net fact remains that the crowd, enraged at the police attitude, tore down the defences, fought the police and badly beat them, held their meeting, and then with their passions inflamed started on raiding expeditions. Police-stations and police-boxes were either torn down or burnt, the obnoxious

semi-official *Kokumin's* offices were smashed up, the Home Minister's residence was attacked, but here the mob, lacking cohesion, was finally beaten off. On the nights of both the 5th and 6th of September the sharpest fighting took place between the police and the mob, and in nearly every case the police were so severely handled that their list of casualties, although still concealed, is believed to have been considerable. Some foreign churches were, for unknown reasons, also destroyed, and incendiary fires lighting the horizon in every part of the capital proclaimed the blotting-out of all evidences of police control. In one quarter the police with drawn swords held a bridge leading into a rich suburb and defied the mob for many minutes. Then the mob beat a sham retreat, having cunningly stretched fine wires across the ground to catch their enemies. The police charged, were caught in the entanglements, and were thrown into confusion. Then the mob counter-charged and annihilated the defending force. Thus does peace use the artifices of war.

After those two days of mob law the Government took tardy action. Tokyo was placed under martial law, and armed patrols tramped the streets by night and day. Newspapers were suspended right and left, and brawls and riots were chronicled in many parts of the country. Popular dissatisfaction was everywhere noticeable, and the victories of the war for the time being counted for nothing. Every one asked in terror what the end was to be; people could not

understand it at all. For soon came the news that Togo's adored battleship the *Mikasa* had caught fire and had blown up in the Sasebo Naval base, and that the sailors had fought on board. No one knew what to believe and what to disbelieve, or how to account for the fact that such a loyal population as that of Japan should deliberately act so madly. Perhaps it was that the peculiar relations existing between the Government and people were not wholly understood by foreign observers. Perhaps it was that the Japanese machine had escaped notice in the interest which its wonderful work had inspired. And in order to establish clearly certain principles which merit close observation and curious study, it now becomes necessary to examine critically this machine, *i.e.* the Japanese Government, and to show, as lucidly as possible, something of its real position in relation to the people. This investigation will make a hundred things clearer, may allow one to see a little into the future, and may even explain Japan's whole policy.

CHAPTER II

THE JAPANESE GOVERNMENT AND THE JAPANESE PEOPLE

So much has been written of late concerning the modernisation of Japan that it has probably become a mental habit with most people who glance diffidently at this surprising country of the East, to picture the nation as simply a triumphant democracy which has the additional strength of possessing a deified Emperor. Such people cannot believe that Japan has a dozen internal problems whose solution has been but little advanced of late years; such people, although they have perhaps read the perfervid accounts of a dozen travellers, cannot understand the inner significance of some insignificant riots. Yet these riots form an admirable up-to-date introduction to a consideration of the relations existing between the Government and the people, and enable one to understand the *leit motif* in the organisation of a country destined, if all goes well, to have a profound influence on the history of half a hemisphere. It is almost with a start that one remembers that extra-territoriality was only abolished seven years ago in Japan; that

a Constitution was only put into force fifteen years ago; that twelve years ago Japan could not boast of a single battleship, and was trembling at the menace of two 7000-ton Chinese ironclads. Remembering these things, one wonders anew at the extraordinary progress; one wonders how it has been possible. And this wonder, added to the riots, therefore makes some further explanation imperative.

The germs of the present system of government in Japan, a system which, whilst relying on certain outward forms familiar in Western countries, is essentially a survival of an illiberal feudal system—a survival which some still believe necessary—are to be found by turning to the history of the Restoration.

In 1868, when the Restoration took place, the first act of the new Imperial Government was to gather around it the leaders of the three powerful clans of Satsuma, Choshu, and Tosa. The leading party in the new Government was indeed called, with that talent for nicknaming which the Japanese possess, *Sat-cho-to*, derived from the first syllables of the clans in question. In other words, at one and the same time that the power of the Emperor replaced the power of the decadent Tokugawa Shoguns, the clan power was made to surround the throne, and was firmly cemented in every way possible. It is this power which is one of the most important, if not the most important factor in the internal life of Japan of to-day, for the dominant clans supplied, and still supply, both leaders and men. It

was the troops of the Satsuma and Choshu clans who inflicted a summary defeat on the Shogun's troops in 1868, and thus paved the way for the transference of the Imperial Court to Tokyo; and it was this act which allowed the Emperor in 1869 to take the Charter Oath, the very first Article of which was in substance "that a deliberative assembly shall be formed and all matters decided by public opinion." From that day to this, rivalry between clan-supporters and the men of new Japan has existed.

The promise contained in this first Article was watched from the very first with the greatest solicitude, and in the same year a species of parliament was actually called, composed of representatives of the *daimyos* or feudal nobles. This, however, has but little relation to the special question, for the voluntary surrender on the part of the *daimyos*, led by the same three powerful clans of Choshu, Satsuma, and Tosa, of their feudal rights, terminated abruptly the career of this first parliamentary attempt. Such men as the great Saigo Takamori and Shimazu Saburo then largely directed the new Government, and the government by the clan system was fairly in force.

It is well to pass by minor events and to come to the year 1874. In that year three political leaders who occupied Ministerial positions, or those of equivalent standing, memorialised the Government to make arrangements for the establishment of a National Assembly, so that the Imperial Oath made at the time of the Restoration might be carried out.

The petition was shelved. In 1880 another memorial was submitted to the Emperor praying for the immediate establishment of a parliament. Once again nothing was done. But in 1881 Count Itagaki and others organised a Liberal Party, and passed a resolution to push the liberal movement with vigour. As a result, in the same year a proclamation was finally issued announcing that a National Assembly would be established in ten years' time. The Government was still too conservative. In 1882 Count Okuma organised the Progressive Party, and an even more active propaganda was commenced in favour of substituting a modern form of government for the government of the day. This government simply consisted in picking, mainly from the favoured clans, talented men who gradually monopolised every important office in the country. That these chosen men did extraordinarily well, and performed work which probably no popular government could have accomplished, is now universally acknowledged. But that is beside the mark.

As the decade at the end of which a Constitution had been promised was drawing to a close, the Emperor's advisers reluctantly acknowledged that the time had arrived when further action was necessary. Accordingly Marquis Ito, already in high favour and the leader of the civil as opposed to the military power, was set to work on the Constitution, and after exhaustive researches he completed the drafting of this momentous instru-

ment. On the 11th of February 1889 it was promulgated, and in the following year the first session of the Japanese Imperial Diet was convoked.

It is unnecessary to examine here in detail the seventy-six Articles of this Constitution. It is enough to say that it is based almost entirely on the German model, and that although as much power as possible is given to the Imperial Diet, it is essentially not a final Court of Appeal and sole director of the country's destinies, as is the case with the popular assemblies of the liberal countries of the world. Towering high above the Imperial Diet is the hidden and sacred personality of the Emperor. In his hands all that is momentous may be said to be left. Everything is done in the name of the Emperor. The Emperor declares war, makes peace, and concludes treaties. The Ministers of State are responsible to the Emperor, and to the Emperor alone. The Emperor in the exercise of his rights is in a position absolutely to overrule distasteful measures. Thus it may perhaps be said that in 1889 a Far Eastern "Duma" was created—a "Duma" which, although greatly superior to the present Russian body, may find itself rapidly outstripped.

One of the immediate results of the promulgation of the Constitution and the inauguration of the Imperial Diet which it is necessary to notice, is that it may be said to have widened the breach between the civil and military elements in the government of Japan. Marquis Ito, as leader of

this civil element of the dominant clans and the draftsman of the Constitution, enjoyed the Emperor's highest esteem. His immediate rival was Marquis Yamagata, a gallant old soldier who has been the life and soul of the military oligarchy. Besides these two, and occupying a curious detached position, must be mentioned Count Okuma, a singularly brilliant man whose talents have been more displayed in destructive criticism than in constructive work. Both Marquis Ito and Marquis Yamagata are of the chosen clan of Choshu, but whereas Marquis Ito is of very humble birth, and may be called a self-made man, the reverse is true of Marquis Yamagata, and therefore the former is far more liberal than the latter. Yet this must be at once said, regarding all the supporters of the clan system. All the leading statesmen who played a distinguished part in the work of bringing about the Restoration and cementing the Emperor's power, were of the opinion that the Cabinet should be responsible only to the sovereign, and that even when opposed by an overwhelming majority in parliament, the Ministers should be under no necessity to resign, so long as the sovereign continued to repose confidence in them. The younger statesmen and officials who had been trained by the old men shared this view, and therefore immediately on the opening of the Diet the so-called party-men, belonging to either the Liberal or Progressive Parties, found themselves continuously in almost open conflict with the Ministerialists or supporters

of the preferential clan system. From the year 1885, when the first Ito Ministry was formed—that is, before the Diet had been convoked—until the year 1901, when the fourth and last Ito Ministry was in office, the Ministries in office, with one exception, have been devoted to the idea that they were responsible to the sovereign alone. During this period of sixteen years, when a Ministry was not an Ito Ministry it was an immediate creation either of this notable statesman or of his rival, Marquis Yamagata, who himself personally formed two Cabinets. The exception occurred after the fall of the third Ito Ministry, when Marquis Ito, determined to try more radical measures to stop the constant changes of Cabinet which had been taking place, made a new move. In tendering his resignation to the Emperor, Marquis Ito recommended that the Opposition in the Diet should be requested to form a Cabinet. This was a striking departure from the usual routine. The result was the creation of a Coalition Cabinet led by Count Okuma, the leader of the Progressives, and Count Itagaki, the leader of the Liberals. These two parties merged themselves to strengthen their hold and became temporarily known as the Constitutional Party, but their first attempt to form a proper Ministry unfortunately failed miserably. The majority in the Diet showed that they considered themselves entitled to special rewards, and by their bickerings and feuds soon proved that they were not fit to command the confidence of the country. The clan-

supporters became more and more convinced of their superiority. The immediate result was that the Ministry fell, and was replaced by a Cabinet led by Marquis Yamagata, the uncompromising champion of quasi-autocratic power. The bureaucracy was jubilant, and party government was deemed impossible in Japan.

In such circumstances other men might have been dismayed, but not so Marquis Ito. In September 1900 he threw off all disguise, and appeared suddenly on the political stage in a new rôle—as a party leader. A political party, called the Seiyukai Political Association, was formed by him, and his prestige was sufficient to secure the affiliation to this new organisation of a large majority in the House of Representatives. The non-party Ministry of Marquis Yamagata soon came into collision with the *Seiyukai* and resigned. Then Marquis Ito assumed office for the fourth and last time, and all seemed well, when a new impediment to popular government was suddenly disclosed. Although the measures of the *Seiyukai* Ministry were now passed by a large majority in the Lower House, the Upper House proved obdurate and refused to sanction them. Even an Imperial Rescript especially addressed to them had but little effect on the Peers; and the final result was that Marquis Ito resigned from office for the last time. It seemed impossible to formulate a working plan.

What was to follow was awaited with interest. The powerful statesman behind the throne soon

proved equal to the occasion. The Katsura Ministry, the Ministry which held office all through the War and had the longest life of any Japanese Ministry, was born. This Ministry was the direct creation of Marquis Yamagata, and its most important members were adherents of the clans. It may be called a military Ministry, since Count Katsura was a soldier by profession, and the very best men from amongst Marquis Yamagata's following were chosen for it. It is worthy of note that twice during its four years' history the House of Representatives was summarily dissolved by Imperial Rescript on account of its opposition, and thus the Japanese Government — an allied bureaucracy and oligarchy — proved clearly that it was determined to push through with its plans in the face of all difficulties. The Representatives, although they had certain constitutional rights, were shown that they occupied a definite and peculiar position, and that whenever their actions were at variance with the general programme, and jeopardised the development of Japan on the model set by the founders of the new state of affairs, they would be ignored. For whilst Ministries and Diets had come and gone, the central ideas had remained the same.

This rapid and incomplete survey of a certain internal aspect of Japanese politics explains many things which appear on the outer aspect. Thus a point which has puzzled, and which will doubtless continue to puzzle Europeans without number, is

partly cleared up: that is, how Japan has managed to make such unparalleled progress in every department at a time when the vast majority of her population were still much as they were before the policy of Europeanising the country had been inaugurated. It is because the most brilliant men of those clans which have been devoted to the Throne for forty years have slaved night and day in their country's interest, and have been able, owing to the absolute power placed in their hands by the Emperor, to lead the entire nation down the road of progress. Unhampered by internal opposition, excepting in certain affairs, these men, who have made modern Japan, have devoted their entire attention to shaping their country's destinies in such a fashion that the nation, when it came to its own, could not fail to progress down the narrow way which leads to well-being and happiness. It is well to acknowledge these points. For it may be said that in the past there has been more than ample justification for the attitude of the Government in its interpretation of its heavy duties; and that, had it not boldly struggled with each question to the best of its ability, without consulting the people's Representatives, there might often have been anarchy and retrogression where there have been iron order and sound progress. It is well, also, to note that the Government of Japan has had to attend carefully to two sets of duties. It has had to build up Japan as a modern Power *vis-à-vis* the world—that is, to escape from a lowly position—and to educate and develop

its own people. It was a quasi-autocratic Government which carried out the tedious negotiations which allowed Japan to regain her tariff and judicial autonomy. It was the same Government which handled a dozen delicate foreign questions in an able manner and which has made Japan a modern State. Yet it is well to remember also that although 47,000,000 of people now stand together in serried ranks — intelligent, well taught and well trained, confident and conscious of their strength, patriotic and proud, and possess a modern Constitution designed after the Prussian model—they are still ruled practically as if they are mere adolescents, not to say children. Their Representatives, elected by popular vote to the Lower House, may pass vote after vote of want of confidence in the Government quite unanimously, but the Cabinet need take, and indeed takes no heed of such censure, beyond quickly dissolving the Diet by Imperial Ordinance and remaining faithful to its profession—that it is responsible to the sovereign alone and not to the people. The Representatives may represent the views and opinions of the entire 47,000,000 of the country, and yet so long as they do not succeed in *frightening* the Government, the Government is in such an impregnable position owing to the survival of the clan system, which so limited the powers of the people, that it can laugh at all popular clamour. But the people say that it ceases laughing when it can be frightened, and thus the dagger and the bomb, as in Russia, have been the not infrequent methods,

even during the Meiji era, of bringing home to Ministers who are practical autocrats that they are ignoring the wishes of the people. The blame of the bomb and the dagger cannot therefore be laid entirely at the door of the people, for by these crude arguments induced by the survival of the clan system, they have paved the way for those Liberal tendencies which have made the nation what it is to-day.

And now it is necessary to pass to some further considerations. The fact has been established, with some little clearness it is to be hoped, that the Japanese Government, pursuing the even tenour of its way, has been assiduously devoting itself to the evolution of a modern State, and that it will continue to devote itself to that object. As expenditure has increased and the tax-paying limits of the people have been slowly reached, the Government, having completed much of its vital external work, and being no longer exposed to vital menaces, has taken another step forward in the development of its ideas. Those ideas were probably, in the first instance, solely the organisation of the country on a modern basis; secondly, the freeing of the country from the subordinate position which the existence of extra-territoriality imposed; thirdly, the reaffirming of the suzerainty of Japan over Korea; and fourthly, the removal of the Russian danger, which had existed for four decades. But flowing naturally from these ideas, and forming an essential part of the creed of the uncompromising clan element, is the wholesale organisation of the country on a basis which may perhaps be called

military-monopolistic. This view is still more important. It became more and more marked as money was needed.

Until the Chinese War of twelve years ago, budget difficulties were not acute in Japan. Indeed, both revenue and expenditure were on a most modest scale. Thus in the financial year 1894-95 the revenue amounted to only Yen 98,170,028, or, say, £10,000,000 sterling, whilst the ordinary and extraordinary expenditure was Yen 20,000,000 lower. In other words, there was a handsome surplus. Surpluses continued to be the order of the day for a couple of years, even after the Chinese War, thanks to the Chinese indemnity, but the great rise in expenditure was coming. In the fiscal year 1897-98 the expenditure had already risen to Yen 223,678,844, an increase of considerably more than 100 per cent in three short years. By 1902-1903 the expenditure had crept even higher, and in the budget 1906-1907 the ordinary expenditure amounts to Yen 355,592,943, and the extraordinary expenditure to Yen 139,111,764, or, say, a grand total of £50,000,000 sterling per annum. That is to say, in twelve years the national expenditure in Japan has increased by the astounding amount of 400 per cent. It is doubtful whether such an increase has ever taken place during a like period in any other country, and this alarming growth is as important to note as any other feature.

It is true that with this great expansion in the national budget has come a great expansion in

trade. In 1894 the trade of Japan was in round figures Yen 230,000,000; in 1900 it was about Yen 500,000,000; in 1905 it was Yen 810,000,000. In eleven years, therefore, it had grown three and a half-fold, and from a total which amounted to about ten shillings per head of population in 1894, it had risen to nearly thirty-four shillings in 1905. Yet this increase in the commerce of the country, although satisfactory, had been entirely exceeded by the increase in taxation and expenditure. It therefore became necessary for the Government, even before the late war, to consider how it could provide great sums of money by indirect taxation. The idea, which had already taken favour and which was peculiarly adapted to the Japanese system of rigid centralisation, was the monopolistic idea. Already salt and *sake* had been made Government monopolies with very satisfactory results to the Treasury; it was necessary to look around and see what other necessities of the people could be swallowed up by this system.

During the war it was early understood that tobacco had been fixed upon by the Government as one of the most productive sources of revenue remaining, and in due course the preparation and sale of tobacco became a Government monopoly.[1]

[1] It seems probable that sugar, which is entering more and more into everyday use in Japan, is to share the same fate as tobacco. Investigations are even now being conducted by the Japanese Government as to the methods to be adopted to convert a thriving industry into a Government monopoly which shall yield many millions of yen yearly, thereby materially helping the great internal and external development scheme. It is interesting, also, to note in this connec-

There was a great outcry at this action at the time it was taken, but as funds were needed for the prosecution of the war, and as something had to be hypothecated in order to obtain more foreign loans, the manufacturers had to submit. It is stated that had the war continued other monopolies would have been created, but be this as it may, one of the first measures brought forward by the Government since the declaration of peace has been the nationalisation of railways. This measure provoked a storm of abuse, for not only were ordinary people without very much influence affected, but also the capitalists who sat in the House of Peers. As a result of their opposition, the scheme for the nationalisation of the railways, instead of being put into immediate execution, will only be undertaken leisurely during the coming ten years. Thus one of the most prosperous enterprises in Japan, an enterprise which has been far better conducted on the private than on the

tion that the fishing industry is being reorganised, owing to the direct intervention of the Government, and that a species of Trust is being evolved (capital Yen 20,000,000). Deep-sea fishing is being specially encouraged, and will doubtless be treated very soon on the same footing as the subsidised steam-shipping of the country. The fact is also being more and more commented on that the Japanese Government is encouraging the retention of the old family system in modern industries; that is to say, is advocating the grafting of modern requirements on to the old framework of Japanese society. Perhaps the unit in years to come in Japanese factories will be "the family of workers," and not the single workman, thus retarding the development of individualism among the millions, which is one of the most-feared possibilities at the present moment in Eastern countries. In the most insignificant, as well as in the greatest affairs in Japan, the activity of the Government may everywhere be discerned.

Government lines, now passes entirely into the hands of the bureaucracy, and a new source of revenue will presently be available for the Government. So firmly has the idea of monopolies and purely Government enterprises now taken root, that the Department concerned began drafting a scheme for the creation of a monopoly in the making of matches, an industry which undoubtedly has a great future in Japan. The newspaper outcry, however, stopped this at a moment when the industry in question was being disorganised by the prospect of an undesired absorption. This was one of the last attempts chronicled of direct Government interference in private enterprise.

From these few references to another feature of the internal situation in Japan, it will be readily understood that the Government, triumphant in its not infrequent contests in the Imperial Diet and with the whole army and navy behind its back, is quite committed to evolving a perfect machine, in which absolutely everything in the country will be closely regulated and overseen. In the successive steps which have been taken—the Chinese War, the abrogation of the obnoxious treaties, the mastery over Korea, the Russian War, the obtaining of the lease of the Port Arthur territory, and the entrenching on the mainland of Asia—the main idea of the Japanese Government has therefore been fully and faithfully carried out; and whilst this has been done, the serious business of governing and conducting the vital affairs of the nation has been jealously kept

in the hands of the Ministerialists or clan-system supporters, who belong to, or are followers and henchmen of the two dominant clans of Choshu and Satsuma. If a list of the leading civilians be examined, it will be found that a great number of the names belong to the clan of Choshu, whilst in the army and navy many of the higher commands are monopolised by either Choshu or Satsuma men. In the hands of the adherents of these two factions, therefore, lie all the strings of influence in Japan, and in spite of the immense efforts which have been made from time to time to break their power, to-day, just as it was twenty years ago, it is outwardly supreme. The people, carefully instructed in elementary education and carefully trained to the execution of their allotted tasks, have been given a definite place in the Government scheme of things, and are now being aided to emigrate in every direction, so that the planting out of colonies in Hawaii, in the Pacific States of the American Union, in Korea, in Manchuria, in China and elsewhere, may gradually swell the national wealth and allow the steady development of Government plans, since such emigrants may be rated as exports of high value, who yearly remit home increasing sums of money and thus counterbalance to some extent the heavy expenditure, which shows a constant tendency to increase rather than to diminish.

It must not be supposed that this gigantic and novel experiment of creating an omnipotent Government—an experiment which appears to have been

but little understood and commented on abroad—has passed unchallenged in Japan. The excessive loyalty of the Japanese people, and the admission which they are secretly forced to make that it has been their Government which has won for them their greatest victories in peace, have been sufficient to make all criticism guarded and not as searching as it should have been. The newspapers of Japan, it is also well to note, have only during the past decade emerged from a very uncomplimentary position. Until the Chinese War the circulation of these vernacular organs was trifling, and their comments looked upon with some suspicion whenever they erred on the side of excess. In those days the newspaper was still a plaything which amused but did not necessarily instruct. After the Chinese War a great deal of this was changed, and circulations went up by leaps and bounds. Some great men began to interest themselves in the welfare of the press, and a year or two ago it was chronicled that a very distinguished man had actually bought one of the leading vernacular newspapers of the capital, and was devoting himself daily to its editing. Thus until quite recently the Government has had everything in its favour.

In such circumstances it is interesting to see what the unofficial representatives of the people now say to the great Government monopolistic scheme. It may be stated at once that the best organs—the organs which may be called the com-

mercial-industrial barometers of the country—are quite opposed to the Government plans for converting Japan into one huge closely controlled machine. In the case of the Railway Nationalisation Bill practically all the great newspapers were opposed, tooth and nail, to the Government measure. In any other country that opposition, reflecting as it did practically the feelings of the whole nation, would have been sufficient to have caused the complete abandonment of the Bill. In Japan, however, the direct support of the Minister of War, and the solidarity of the Government, generally speaking, finally forced the measure through. Undismayed, however, by this signal proof of the omnipotence of the Government, such newspapers as the Tokyo *Asahi* and the *Jiji*, which are two of the best organs, continue to oppose proposals which they distrust. In an inspired article, a portion of which it is well to quote, the *Asahi* recently said :—

"The omnipotence of the Government is becoming more manifest as time rolls on. It has not only monopolised the tobacco and camphor business for the purpose of deriving revenue therefrom, but has gone so far as to monopolise salt for the purpose of protecting the industry, and has also attempted to include the *habutae*-refining and match-manufacturing business. It has revised the Bank Law, to interfere with the business of private banks, and is to purchase the private railways, nominally to accelerate the development of traffic and communications. It

has also taken up the compilation of school text-books to promote education. All these are simply manifestations of the omnipotent power of the Government. Not satisfied with the above, the Government wishes to make a further demonstration of its power by exercising a useless interference with the introduction of foreign capital. After the recent war there were many foreign capitalists desirous of investing their capital in Japanese enterprises, and they sent to this country their representatives for that purpose. Japanese business men welcome foreign capital, but the Government interference in this matter is obvious. The Colliery Railway Company is a conspicuous example of this. In this case the negotiations were concluded and a provisional contract signed between the parties. A *Genro* statesman, however, took exception to the terms and forced the Company to propose an alteration. The instructions recently issued by the Government to the local authorities clearly reveal the Government's idea as to the introduction of foreign capital. It cannot be denied that the Government proposes to adopt the same policy with regard to its introduction by private companies—that is to say, to compel them to appeal to the Kogyo Ginko to act as the medium. The tardy progress of the Tokyo Electric Light Company's negotiations for a foreign loan is presumably attributable to interference on the part of the Government. The bureaucratic Government intends to monopolise the introduction of foreign capital through the

medium of the Kogyo Ginko, not so much for the profit of the bank, as simply to manifest more forcibly its omnipotent power. The Government regards business men as mere children who are unable to understand figures, and is, therefore, anxious to interfere with their loans. This idea pervades all the actions of the Government. For instance, it makes use of the Specie Bank in the matter of foreign bills of exchange, and exercises undue interference through the Nippon Ginko, Kangyo Ginko, Noko Ginko, Hokkaido Tokushoku Ginko, and other banks having specific businesses, in the matter of the supply of domestic capital. In the very same way the Government proposes to interfere, through the Kogyo Ginko, with the introduction of foreign capital. To facilitate the execution of this purpose the Government appoints Government officials, or those whose confidence they possess, to the management of this monetary machinery. Mr. Matsuo of the Nippon Ginko, Mr. Soyeda of the Kogyo Ginko, Mr. Minobe of the Hokkaido Tokushoku Ginko, and Mr. Takahashi of the Specie Bank, are all personages of this description. All these banks appear as if they were part and parcel of the Financial Department, the presidents being found to act in strict consonance with the principles laid down by the Central Government. Mr. Tomita and Mr. Yamamoto, formerly presidents of the Nippon Ginko, were dismissed on account of their disagreement with the Government authorities. Mr. Soma, of the Specie

Bank, was also dismissed, as he did not find favour with the authorities. Openly, the Government only appears anxious to enable private corporations to introduce foreign capital on more advantageous terms than they could possibly obtain if left to conduct independent negotiations. The result of the Government's foreign loans, however, clearly proves that this policy has not been very successful. Thus the five hundred million yen foreign loan which the Government floated in London in November last showed an actual rate of interest of 5.1-2 per cent as against 5.3 per cent for the loan subsequently concluded quite independently by the Kwansai Railway Company. The Kyushu and the Sanyo Railway Companies were about to conclude foreign loans on still more advantageous terms when the negotiations were frustrated by the Railway Nationalisation Bill. Thus it appears clear that when the Government succeeds in obtaining foreign capital only on nearly the same terms as private companies, it has no right to claim a superior aptitude in the matter of foreign loans. Instances are too numerous to cite. The Government is labouring under a misapprehension when it proclaims its omnipotence and endeavours to interfere with or swallow up all private enterprises."

The language of this article is singularly clear and free from subterfuge, and illustrates admirably what has already been written. Great doubts, also, have recently been expressed regarding what are called the Government's *post-bellum* financial and general measures, to which fuller reference will be

made in other chapters. Count Okuma, the ablest exponent in Japan of the fine art of destructive criticism, is never tired of calling public attention to the fact that taxation is being increased out of all proportion to the capacity of the nation, and that loans are only being wiped out so that fresh ones may be contracted on less onerous terms (that is, without the direct hypothecation of specific sources of revenue, as had to be done during the war). He constantly refers to the absence of administrative reforms—by which is understood the diminution of the number of petty officials, the simplification of their duties, and the general sweeping away of red-tape. Count Okuma makes gloomy references, too, to the budgets of future years, which will have to increase in order to keep pace with the Government expansionist movement. Some critics are not afraid to say that the national expenditure may shortly have to be doubled; that having committed itself so far, the Government will have to go on, since it will be easier to march forward than to halt.

At sea, as on land, there is the same indirect Government control. The two great Japanese shipping companies, the Nippon Yusen Kaisha and the Osaka Shosen Kaisha, are not only heavily subsidised, but form as much part and parcel of the Government scheme as do the favoured banks. In 1896 the Navigation Encouragement Law was promulgated. This Act provides for the payment of subsidies—the amount of which is proportionate to the distance run and the tonnage of the

vessels—to any Japanese subject or Japanese commercial company whose partners or shareholders are all Japanese, provided that the vessels are of at least 1000 tons burden, and are engaged in carrying passengers and cargo between Japan and foreign countries, or between foreign ports. The effect of this Act has been to increase Japanese steam tonnage to 657,000 tons before the war (1903); to 790,000 tons in 1904; and to 939,000 tons in 1905. It is understood that there are nearly 100,000 tons more of Japanese shipping under construction, and therefore by 1907 there will be upwards of a million tons of Japanese steam-shipping trading in Far Eastern waters.

Most of this shipping is being built in Japan; for under the Shipbuilding Encouragement Law, and the Shipbuilding Regulations, which came into operation in 1896, the industry has advanced in a remarkable way. Bounties are granted for the construction of iron or steel vessels of not less than 700 gross tons, and the encouragement given has been so great that by the end of 1904 there were altogether 205 private shipyards and 32 private docks in Japan. Not only does the Government promote the development of shipping in every possible way, but it *orders* the opening of new lines. Directed from Tokyo, therefore, a vast network of lines is being made. This is the menace which is more feared by European shipowners in the Far East than any other. They know they can fight competition if it is purely commercial competition;

but with quasi-Government competition the case is entirely different.

The position of the Japanese Government in domestic matters should now be clear. It is essentially a monopolistic Government. It trains the people for their particular duties with the greatest care. It takes over direct control, or privately supervises, whenever it can promote its special interests by so doing; it is, in the words of the *Asahi* newspaper, almost omnipotent. The *Genro*, or Elder Statesmen, who have done their share of this work, and have become too old for active service, supervise and guide the younger men now at the helm. *Genro* and Ministers are devoted to the special Government system which is being slowly built up. And the people? The people revolt sometimes when they are displeased, as they did in the case of the Tokyo riots; but in such cases their actions are well-calculated protests or warning notes rather than mere unreasoning demonstrations prompted by rage.

And now, this tentative survey having been completed, it is necessary to go farther afield and to look at some outer aspects which possess peculiar interest at the present moment, and which will have even greater interest in years to come.

CHAPTER III

KOREA—A PROBLEM AND A TRAGEDY

IT is one of the first results of the war—a result accomplished in hot haste before even peace was signed—that Tokyo, the capital of Japan, and Seoul, the capital of Korea, are no longer two mere geographical expressions which can be directly associated with one another only after experiencing some measure of sea-sickness and many discomforts; for it is now but forty-eight hours between the two capitals. The traveller buys his ticket for Seoul at the Tokyo railway station, and checks his luggage as he would for a mere excursion in Japan; it is twenty-eight hours in a railway carriage to Shimonoseki, eight hours for a dash across the Tsushima Straits in a modern ferry-boat, and the rest is spent in a rush up the Peninsula in a corridor car. Thus everything has been made convenient for Japan's civilising mission. The capital of a distressful country has been brought as close as possible to the capital of a successful empire; yet up till now the result has been pure failure. It is at the same time so curious and so significant that this should be the case, when half the world is holding up

Japan as an example of efficiency, that once more the Korean problem merits a little examination. This examination will show a number of things which are but little understood abroad, and which can hardly entirely edify the reader. But since by the operation of hidden laws the Korean situation must sooner or later become clarified, it is well at the present moment to be plain, and even harsh, so that foolish delusions may be dissipated.

Because the end of the war and the conclusion of the new Anglo-Japanese Alliance nominally did away with the Korean question, that is why, after the manner of the East, it is in a fair way towards being immediately reopened in a more subtle and, perhaps, a more dangerous form. For regarded in their broader aspect, it is well to note that, in the real East, wars and complots, with their accompanying excursions and alarums, heaped together for a stretch of months and constituting apparently clear-cut periods for the outer world, merely punctuate time at periodic intervals, and space, as it were, the dull round of weaving and intriguing which marks government life. For a short time such upheavals may shake the entire world, and lead men to suppose that Asia is being violently reborn. Suddenly the angry waves subside; the atmosphere, supreme, unconquerable, reasserts itself, and soon, as I have said before, the ordinary life begins again, with perhaps just a little progress to be noticed. Too readily does the East believe that *tout passe, tout casse*; and so, with the storm singing

lower and lower, compromise, intrigue, and all deceitful things take again their ordered places, and the violent upheaval rapidly becomes a mere matter of history. It is in order to prevent this occurring once more that great attention should at the present moment be devoted to Korean affairs, and a clear understanding of the true conditions realised by all.

But it must be remembered that, in order to understand anything about this problem, the reader must first have certain things fixed definitely in his brain, and he must have those things so uppermost that whenever an old question, or a fragment of an old question, is presented in a new light or a new setting, mechanically but unfailingly he will pass those necessary things before his mind's eye, previous to attempting any estimate or valuation of the amount of importance to be attached to a specific matter. When he has succeeded in reaching this perfection, he may begin to judge and understand something in Korean matters; but not until then.

Chief of the points to which attention must be at once directed, now that the immediate matter is Korea, is one which bulks much bigger than all the other things put together because of its great age and absolute truth: and this is merely that the Koreans hate the Japanese. Of course, there is nothing very astonishing in this hatred, nor even anything very new or strange possible about it. Hatred is merely one of the primitive passions

natural and dear to combative man. Thus the French are supposed still to hate the Germans; the British have a twentieth-century and somewhat diffident hatred for the same race for an excellent reason which is also the true one—that they are a little afraid of the German advance and of the success which has attended the exercise of a natural capacity for the taking of infinite pains, a capacity now strikingly manifesting itself in imports and exports. But neither of these hates is a really good hate. The French hatred may have been, and indeed was, very deep-seated and terrible fifteen or twenty years ago, when the "lost provinces" was not merely a political phrase; to-day it is only along the eastern frontiers of France that there is any real vindictiveness. And as for the real British hatred, it is too much advertised not to stand confessed as at best an ephemeral thing.

But the Korean hatred is quite different; it is really hereditary, and dates almost from the days of the apostles. To be approximately exact, it is some one thousand six hundred years old. This may sound bald, but it is a fact that when you have hated for sixteen centuries the thing must become as perfect and as consistent as human passions can possibly be. In a word, hatred for the Japanese has been as natural an instinct in Korea as sleeping, or eating, or smoking, or quarrelling, or any of those things which go to make up the cheerful lives of the millions. Dating from the first Japanese expedition against the Koreans, that

of the Empress, so appropriately named Jingo, which took place in the fourth century, the popular detestation for the gallant islanders went on increasing until it reached its culminating point in the sixteenth century, when the hosts of Hideyoshi descended on the "Hermit Kingdom," and for six long years tortured the country in a terrific warfare, in which every encounter was fought to a clean and absolute finish, and reduced everything to such an appalling wreck that ever afterwards Japan remained the accursed nation.

The mention of the Hideyoshi expedition brings one conveniently to the second point which has to be borne in mind—a point hardly less important than the first, and indeed rated by some as even greater than the first. It is that, owing to the hideous ruin which overtook Korea three hundred years ago; to the isolation which the country has enjoyed to its heart's content until twenty-seven years ago; and to the admirable consistency with which the nation has been misgoverned by nerveless monarchs since records exist, there is absolutely nothing worth having in Korea, except perhaps a mineral wealth only to be discovered by a vast expenditure of capital. Five-sixths of the country is occupied by lonely mountains or scantily clad hills, and in the valleys and plains which go to make up the remaining one-sixth, ten or twelve millions of sad-eyed people are gathered together, labouring for the major part as the beasts of the fields, and sleeping with them too. If the whole of Korea be traversed,

as I have traversed it from Fusan to the Yalu, but one city will be discovered—Seoul, the capital, which is a bit of Korea as it might have been had it not been so ruined in the past. There is no other city worthy of the name. Ping-Yang, the one-time capital, is merely a little better than Taiku, which is a town boasting of 60,000 inhabitants, and consisting of a few thousand huts enclosed in an old Chinese city wall. The treaty-ports are not Korea; they are merely like the treaty-ports of China, or the old treaty-ports of Japan. They have therefore but little relation to the real life of the country. Thus in the whole of Korea there is hardly anything tangible to get hold of; three-quarters of the people, and perhaps more, are just labouring with the beasts of the field on their narrow stretches of arable soil, and the remaining quarter are smoking their pipes and looking out of the window-doors of their huts in a way which comes only to those whose lives are made insignificant by the everlasting mountains and hills which cluster so thickly around.

And before going any farther to deal with the Japanese aspect of the problem, a single other point—the third—may be thrown into prominence, a point which concerns the Korean Government. It is merely that in Korea there is no Government, but only an effete monarch, elevated to the rank of Emperor by his own act as a diplomatic move ten years ago, who, with his palace cliques, rules the land exactly as he pleases from day to day. Not since the days of the great Louis has there been

any one who could say, *L'état, c'est moi*, with such truth as can this ill-fated ruler of Korea. His word and desires are absolute law; his smile is courted by every one of his people; and having been terror-stricken for ten long years—ever since the brutal murder of his Queen Consort—his one object is now to safeguard his own life and liberty. With no real administration at all, and with a people steeped in ignorance, bigotry, deceit, and intense poverty, Korea would appear to labour under an accumulation of all the curses which afflict Ireland, South Africa, the German Colonies, and any other known places which distress or possess distressed governments.

Into this curious land, then, the Japanese have been pushed by the Fates to remain apparently for better or for worse. And just as there is a number of things on the Korean side of the picture to which attention must be directed, so with the Japanese should certain disquieting facts be frankly recognised. Chief of these is the fact that the mind of every Japanese is beset by three fixed opinions; first, that Korea is a happy hunting-ground which Divine Providence marked out for him far back in the past, and which, after many delays and false starts, may at last be exploited to his heart's content; second, that Korea is a Golconda, filled with worthless people, where every man may rapidly make his fortune; and third, that the Japanese are going to colonise Korea.

On examination, however, it is found that there

is no one of these three opinions which is not more than a trifle absurd. Korea, of course, may or may not be a hunting-ground, it depending largely on what definition is given to that questionable expression; but that it is an entirely happy one no one would dare to state. Regarding the second point, however, there cannot be even this little obscurity. At the present moment Korea is anything but a Golconda, even with the inflated turnover and a certain fictitious prosperity which the war has brought about; and although riches beyond the dream of Rockefeller may actually lie beneath the soil, only the most wealthy corporations can unearth them. As for the idea that Japan is going to colonise Korea, I find some difficulty in not being impatient even at the mere statement of such an improbability. It is true that this may be due to the holding of an archaic idea that you colonise by squatting on more or less virgin soil; that you till that soil; that you are prepared to settle permanently there with your wives, your children, your asses, and all your worldly goods and chattels. But if this is what constitutes colonising, there would appear to be more than a little difficulty in carrying out the programme in Korea. As I have said, five-sixths of the land is inconveniently crowded with barren mountains and scantily clad hills, and in the remaining one-sixth ten or twelve millions of people are already congregated. Assuming, as is generally done, that the total area of Korea is some

82,000 square miles, then not more than 15,000 square miles are susceptible of cultivation. Taking the Korean population at ten million souls, this gives some 650 human beings—for, after all, the Koreans are human — to each square mile of arable soil, or, say, an acre for every Korean man, woman, and child. Whether or not this is an excessive allowance, I am unable to state; but in a country where child-birth is still looked upon in an old-fashioned way, it would seem that it is not. The problem at once arises, therefore, as to where the overspill of population from Japan is going to settle in Korea to become true colonists and not merely trading communities whose permanence is not assured. Mr. Nagamori, the philanthropist, as some people named him, doubtless with their tongues in their cheeks, was willing to solve the problem two years ago with the aid of the Japanese Government, by asking for a fifty years' unconditional lease of all the waste lands of Korea —that is, a lease of all the mountains, hills, and river-banks which were not covered with Korean crops. The Nagamori scheme, however, luckily failed—had it gone through and been given effect to, it might actually have brought about a rebellion —and now colonising is only proceeding fitfully by a new method, which is arousing great concern at the present moment, and to which reference will in due course be made.

The three chief ideas which fill the brain of every Japanese who comes to Korea for the first

time are, therefore, to give them a moderate name, palpable misconceptions and nothing else, and must be eradicated if any good is to come during the next decade to the distressed peninsula. Korea is really as poor as a church mouse as far as accumulated wealth is concerned, and, although the war has undoubtedly given a certain fictitious prosperity to Japanese settlements established in Korean towns, time must soon show that many bitter things will have to be endured before true welfare is obtained.

There is yet another point, moreover, which, although distasteful to refer to, should be boldly dealt with. It is that in the character of the ordinary Japanese of the lower classes the possibilities of good and of evil appear to be much greater than in the ordinary man. This is to some extent natural enough; for the Japanese at heart still takes a much more intense view of life than other people. No one within the memory of man has called forth such streams of adulation and such passionate denouncements—the first investing him with almost superhuman virtues, and the second attributing to him every criminal thought—as has the Japanese since the great war engaged the entire world's attention. For the time being in Korea, as must be expected in a country where abnormal conditions suddenly obtain, much that is not good in the Japanese character has been brought to the surface. Among the tens of thousands of men and women who streamed from their island world to the

mainland of Asia during the war, there were very few who knew anything about the actual conditions in Korea. All have gone, believing firmly that Korea is a happy hunting-ground for every Japanese; that it is also a Golconda; and that it is they, the first-comers, who will reap the biggest profits. It has been no business of the Japanese Government, perhaps itself engaged on a task beyond its strength in Manchuria, to correct such impressions; and thus they have been allowed to grow, until to-day they are so strong as to be almost ineradicable. The bad results immediately produced will be presently dealt with.

The various points which have been hastily outlined give the necessary background to enable one to understand something of the immense difficulties which the Japanese Government has now to face and to smooth away as rapidly as possible if there is to be no disaster; and the rehearsal of these points allows one also to reconcile the conflicting statements still made from day to day regarding the actual conditions in Korea. On the one hand, we have portentous announcements assuring the world that the reform of Korea is actively proceeding, and that everything is *couleur de rose*; on the other, we have the broadcast dissemination of bitter impeachments of the Japanese Government's every action, and gloomy hints of the curious things which may yet happen. Which is one to believe, and which is one not to believe? It is with the object of recounting something more closely approximating the truth

than has hitherto been the case that this general examination at once becomes specific.

It can be said at the outset that the first acts of the Japanese Government in Korea after the outbreak of war gave rise to the highest hopes. Even those in Seoul who queried the legality of Admiral Uriu's action in Chemulpo harbour on the momentous 9th of February 1904, were willing to forget the entire episode in their desire to see real and lasting reform take place in Korea's internal condition. The effrontery and tyranny displayed by Russian diplomacy in Korea during the last days of the *ante-bellum* negotiations had heartily disgusted and even frightened people who, being friends of Korea, thought that accordingly they must be enemies of Japan. Anything, however, was better than the reign of bullying and panic which had set in at the close of 1903, and therefore every move on the part of Japan was awaited in the greatest anxiety.

Two weeks after the outbreak of war a protocol of alliance was duly signed between Japan and Korea; and promptly following this, in March 1904, Marquis Ito with an important suite himself came to Seoul. Great things were expected; everybody was on the tiptoe of anticipation over the prospect of the good days which were rapidly coming. Then what occurred? Nothing.

Too soon it transpired that the Alliance Treaty was a *pro forma* affair, and that Marquis Ito's mission was simply and solely a complimentary mission from emperor to emperor, in which a trusted

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Elder Statesman conveyed to a trembling monarch the assurance of his master's most distinguished consideration. This first Ito mission may or may not have been necessary—it is for others to judge —but its farcical nature as far as the real Korea was concerned was too soon disclosed. For, apart from a feverish building of railways, and the landing of an unending stream of troops on the Peninsula pushing their way up north towards the Yalu, nothing palpable was attempted by the Japanese Government in the way of reform. To the Korean eye, therefore, Japanese assurances and Japanese activity soon impressed themselves as being merely a means towards an end—which was the beating of Russia and the consequent control of a disputed country; and accordingly these railways and troops, because they brought with them the strictness and the severity necessary in the making of successful warfare, became detestable — that is, specifically detestable—things. At this unpropitious moment came the Nagamori scheme.

It did not really need the publication of the details of this scheme, a publication gladly undertaken by the many intriguers who inevitably form the opposition party to whoever may be temporarily in power at Seoul, to disclose the extraordinary reaction which had already taken place not only in Seoul, but all over the country during the first half-year of the war; for the Korean people's traditional hatred, which had been temporarily obscured for a variety of reasons, had rediscovered in many ways

that the ordinary Japanese who came to Korea were still the Japanese of many decades ago as far as they were personally concerned. But the publication of the Nagamori land scheme gave a peg on which to hang many plaints, and forthwith the old anti-Japanese attitude was almost openly resumed. Nor did it escape the notice of the diplomatic and official world of Seoul that what closely resembled a trick belonging to the old unenlightened days had been played by the Japanese. That is, the Nagamori scheme had been presented to the Korean Government for approval, whilst the Japanese Plenipotentiary had been absent in Tokyo, and the Japanese Legation in the hands of an enterprising young secretary whose continued presence in Seoul, even months after the event, showed that the Japanese Government secretly supported him. Such an action, after all the loud-sounding declarations, bore an ominous aspect. In this affair it is well to note that the Japanese Secretary of Legation played much the same part as another Secretary of Legation in the tragic occurrences which took place after the Chino-Japanese war. Of course the Nagamori scheme was withdrawn in the end *in toto*, and the Japanese Minister duly returned from Tokyo with the draft of a new agreement in his pocket dealing at last specifically with internal reforms. But the time was too late as far as public sympathy was concerned; the psychological moment had passed. Half a year had already elapsed since the outbreak of war, and the Russian collapse was far less com-

plete than the friends of Japan would have liked to see; and although the new agreement, the Agreement of August 1904, was duly signed, sealed, and delivered, it had no psychological or political significance. Henceforth the Japanese had to reckon with the brute-like, irritating opposition they had been so accustomed to before the war, and the internal situation was far from improving.

The August Agreement, however, did have certain effects. It may be said to have marked the second period in Korea since the outbreak of war. It stipulated that a financial adviser should be appointed; that a diplomat of foreign nationality should go to the Korean Foreign Office; and that Korea should no longer be at liberty to conclude treaties with foreign Powers without the open approval of the Japanese Government. Following this agreement came the appointment of General Hasegawa, until then in command of the guards' division in Manchuria, as commander-in-chief of the Japanese army of occupation. Japan, therefore, had behind her an armed force, whose right was openly acknowledged and clearly advertised, to push the cause of internal reform in any way she deemed desirable; she had the Departments of Foreign Affairs and Finance under her control; and yet, even with all these things, scarcely anything more was done than had been the case before. The entire reform programme on which she protested she was engaged is understood to have been at this stage substantially as follows, and even at

the risk of wearying the eye and brain it is essential that its items should be clearly understood :—

1. That the Korean Financial Department should engage a Japanese as Superintendent of Korean finances in order to carry out fiscal reforms.

2. That Japan should advance the necessary funds to Korea to enable her to effect these reforms, Yen 3,000,000 being lent as a first instalment.

3. That a sound currency system should be established by abolishing the present mint and withdrawing the copper and other coins now in circulation.

4. That a currency union should be established between Japan and Korea, and that Japanese money should be accepted as legal tender in Korea.

5. That a central bank should be established in Korea to facilitate the collection of taxes and the handling of public moneys.

6. That a model administrative system should be initiated in the Kyong-kwi province (the metropolitan province), and a similar system adopted in the other provinces when the first experiment proved successful.

7. That an American citizen should be engaged by the Korean Foreign Department as adviser, in order to improve (*sic*) foreign intercourse.

8. That Korea should recall her ministers and consuls stationed abroad as soon as she decides to place her foreign affairs and the protection of her subjects abroad in the charge of Japan.

9. That the foreign ministers accredited to the Korean Government should withdraw from Seoul, and consuls alone remain on duty, as soon as the withdrawal of the Korean ministers and consuls abroad has been accomplished.

10. That the Korean army, at present composed of

20,000 men, should be reduced to 1000, all the garrisons in the provinces being disbanded, and that of Seoul being alone retained.

11. That military arms should be made common between Japan and Korea, with the object of adjusting the existing military system in the latter country.

12. That soothsayers, fortune-tellers, and other officials keeping alive superstition, should be expelled from the surroundings of the sovereign in order to uphold his dignity.

13. That all superfluous Government offices and officials should be done away with.

14. That all Government posts should be thrown open to all classes of the people without regard to rank or family relations.

15. That the practice of selling Government posts should be entirely prohibited, and that officials should be selected from among those competent to discharge their duties.

16. That the salaries of the Ministers of State and other Government officials should be increased, so as to awaken in them a stronger sense of responsibility.

17. That a definite educational policy should be put in force, and that the organisation of universities, middle and primary schools, should be modelled after that of existing institutions in Japan; and that technical schools should be established in order to encourage industry.

18. That a distinct line of demarcation should be drawn between the Court and the Government.

19. That the present foreign advisers should be reduced in number with the abolition and amalgamation of the Government offices.

20. That a Supreme Adviser to the Korean Government should be created—the office for the time being left unfilled.

21. That agriculture should be improved by reclaiming waste lands and developing the natural resources of the soil.

At first sight these twenty-one items bulk heavily and wearily; but a few strokes of the pen rapidly subdivides them into eight sections. The five initial paragraphs concern themselves directly with Korean finance, and embrace the reform plans of the Japanese Financial Adviser; paragraph 6 is an experimental reform dealing with the metropolitan province of Korea, which has never been attempted; paragraphs 7 to 9 cover the debatable question of Japan taking over the task of representing Korea abroad, and thus abolishing the intriguing Seoul Legations; paragraphs 10 to 11 reduce Korea to open military impotency; paragraphs 12 to 16 deal with a cleansing of the so-called Korean Government; paragraph 17 has so far been trifled with in a manner which will be presently shown; paragraphs 18 to 20 deal further with the immensely difficult question of reform in the worthless Korean Government Offices; and, finally, paragraph 21 is the Nagamori scheme in whatever form the Japanese Government chooses to revive it.

Of this loud-sounding reform programme very little was attended with any measure of success during the war. It is true that the Agreement of August 1904, to which brief reference has already been made, secured certain tangible things. Thus Mr. Megata, a so-called Japanese financial expert,

was appointed Financial Adviser to the Korean Treasury, and having almost unlimited control of the purse-strings became something of a man of the moment. The first loan of Yen 3,000,000, mentioned in § 2, was also duly issued, bearing 6 per cent interest and secured on the entire receipts of the Korean Treasury, with the Korean Customs as a collateral security. But instead of § 3, and § 4 and § 5 being even in a fair way towards realisation a year after the inception of the programme, there is every evidence that a great deal of confusion existed.

A few steps, such as the abolition of the Korean mint and the re-minting of Korean nickels, were indeed taken, but there was no effective reform. Of course, in such circumstances, § 4—currency union between Japan and Korea—has been a dead-letter: for the notes of the Dai Ichi Ginko, the old First Bank of Japan, now possessing a practical monopoly in banking in Korea, which are Japanese yen notes, can only be exchanged at a discount of five or even six per cent against the paper of the Bank of Japan. And of the establishment of a Central Bank in Korea which will "facilitate the collection of taxes and the handling of public moneys" (*vide supra*), there is as yet no sign. It is true that the Dai Ichi Ginko, which, it must be remembered, is after all a purely Japanese commercial institution, undertakes the banking of Customs and other Government moneys; but it is manifestly not a Central Bank, and the privilege

which it still possesses of issuing paper notes for as small values as ten sen—say twopence-halfpenny—still further complicates a hopeless financial muddle. There is far too much of this inferior Japanese paper money in circulation in both Korea and Manchuria, owing to a policy which would not be for a moment countenanced in any country under the control of English-speaking experts, and there are other ample signs that finance is not clearly understood by Japanese subordinates.

The actual work, therefore, done on the first five paragraphs (forming section A of the eight subdivisions here made for the sake of simplification) was quite ineffective during the whole course of the war, and merits the severest censure. Ample authority existed to do everything necessary; but instead of proper reform there was a policy of makeshift.

For reasons hard to discover, section B of the reform programme, the adoption of a model administrative system in the metropolitan province, was left entirely untouched. It may be that the too-patient reformers were waiting, after their wont, for an opportune psychological moment, and that one day, when it was too late, they would have put into operation a cumbrous wood-block scheme, necessitating the employment of hundreds of important little personages who see in obstruction and slowness the synonyms for dignity and far-seeing deliberation. But that day has never come.

Once more, in the actual results first obtained in

the third section, we meet with unsatisfactory and halting measures similar to those which characterised section A. Mr. Stevens, the unfortunate American citizen appointed diplomatic adviser to Korea under the August Agreement, had thrust on him the pleasant task of suggesting the manner in which all the Foreign Legations in Seoul should be induced to close their doors, with the natural corollary that all Korean Legations and Consulates abroad should have to do likewise. It is perhaps no reflection on the ability of this gentleman to say that he had but little idea as to how he should proceed in the accomplishment of his task. In the circumstances he adopted the wisest course—he did nothing; and the Japanese Residency General has now relieved him of all necessity for action.

In the fourth section, which deals with military affairs, the first steps were undoubtedly promptly taken. A large proportion of the Korean troops in the provinces have been disbanded, whilst energetic measures have been taken, in spite of the most bitter opposition, to reduce the Korean garrison of the capital to a mere Palace Guard of 1500 men. The Emperor did not wish a single soldier of his bodyguard, supposed to number 6000 men, touched on any account, since he saw in this soldiery, poor monarch, his sole protection against sudden assassination; and so by night and by day, in sunshine and in storm, his guards, formed in very heavy squads, have circled everlastingly around his palace and jealously guarded every entrance in

the hope that their usefulness would be patent. But in the end the Emperor had to give way.

As to the momentous section E, which aims at cleansing the palace of all its cliques and soothsayers, and at thoroughly purifying the whole Korean administration, it is obvious that this cannot be attended to properly so long as other reforms have been halting, and outside opposition not yet been overcome. So, for the time being, the Japanese reformers have engaged themselves in gaining adherents to their point of view in any way which might suggest itself to them; and if there is even a grain of truth in the common gossip of Seoul, some of the methods adopted are not such as to commend themselves to outside observers.

Neither was anything attempted in the matter of paragraph 17 — the inauguration of a proper educational system—except to irritate and alienate further the European element in Seoul. By order of Mr. Megata, the salaries of all the European teachers attached to the foreign language schools were suddenly stopped—the malicious say in order that the schools should be closed and all Western influence removed. But so much antagonism was aroused by this step that the order had to be rescinded, and Korean youths may still learn their English and French in the Government establishments.

Finally, in section G, which includes three measures of much importance, something has been done in a preliminary way. It is true that a

"distinct line of demarcation has not yet been drawn between the Court and the Government"; but the Emperor of Korea is being made to realise that if he spells the Court, Japan is synonymous with his Government. The foreign advisers, all those miscellaneous Continentals who came to the capital at the bidding of the voices of the backstairs during the years of intrigue, are slowly disappearing and soon will be known no more. But the post of Supreme Adviser to the Korean Government, a person who was doubtless intended to be as exact a copy of Lord Cromer as could be made, has been left unfilled. And as for the last section, the improvement of agriculture, the Nagamori scheme has killed all such ideas for the time being. Unable, therefore, to carry out many of their original ideas, recourse had to be made by the reformers to makeshifts, and thus a number of petty Japanese officials were attached to every Korean department, in the vain hope of showing that the work of reform was successful.

The position in Korea, then, when the Russian and Japanese plenipotentiaries had begun their momentous meetings at Portsmouth, was a most extraordinary one. The Japanese, after having had upwards of a year and a half to solve the Korean problems, or to put it more accurately, to begin the solution, had practically done nothing except to complicate matters and to irritate further a population which already detested them. Here it is well to remark that from the first day to the last

day of the war, the Japanese Government, by a process of reasoning which it was impossible to misunderstand, allowed the military to play a rôle in Korea which was in the highest degree unwise. As soon as General Baron Kuroki had crossed from Korea to Manchuria after the battle of the Yalu, there was no need for the military to play any part at all in Korea, except in the north-eastern provinces in the vicinity of the Tuimen river. A screen should have been drawn across this region and the rest of Korea given up immediately to administrative reform. An administrative council could at once have been formed, in which Koreans and Japanese, and such high officials as Mr. M'Leavy Brown, would have been assembled together; and then a sterling loan of sufficient size to provide for all contingencies should have been raised in some neutral money-market and reforms commenced without delay. The survey of Korea should also have been immediately undertaken; land taxation should have been adjusted after proper investigation; road-making should have been energetically prosecuted. Japanese bad characters should have been kept out of the country and only suitable emigrants allowed in. In a word, Japan should have acted towards Korea exactly as England has done in Egypt. Koreans should have been placed first, just as Egyptians are always placed first by Lord Cromer, and Japan should have roughly given her people to understand that they had no more treaty right to wander all over Korea without

passports and without supervision, than, for instance, have British subjects to-day the right to wander all over China staking out whatever lands may take their fancy.

The reward which Japan is reaping at the present moment is of her own making; it is the inevitable reward which comes to those who have not acted rightly when everything was ready, nay clamouring, for rightful action. The position, indeed, even in the summer of 1905, was such that the Japanese Government was being forced privately to admit, to every one who inquired, that the Korean policy had been an entire failure, and that in spite of the fact that a definite programme had been outlined and two separate phases passed through—first, the tentative period of amity and goodwill inaugurated by Marquis Ito's initial visit to Korea after the outbreak of war; secondly, the advisory period during which Japanese advisers under authority of the August Agreement had made trivial efforts at reform—things had gone from bad to worse. It was an open secret, which could not but intensely irritate the Japanese, that the entire population of Korea had taken as intelligent an interest in the fate of the Baltic fleet as had the population of Russia. When the Baltic fleet was destroyed there was probably greater pessimism in Seoul than in St. Petersburg, and when the Koreans understood that the belligerents were sending Plenipotentiaries to America to discuss the fate of the contested regions they showed the liveliest anxiety.

Nothing of this was hidden from the Japanese; for so accustomed had they become after years of practice to watch Korea as the cat watches the unlucky mouse, that they understood that unless they acted rapidly their temporary failure would lead to a catastrophe in Korea in exactly the same way as had been the case after the Chinese war of 1894-95. No sooner was a further course of action decided on than the first steps were hastily taken.

It was the Anglo-Japanese Alliance which gave the first opportunity to destroy a portion of the old order of things. On the 12th of August 1905, Lord Lansdowne and Viscount Hayashi, Japanese Minister at the Court of St. James's, had formally signed with some secrecy the renewed Anglo-Japanese Alliance. In this momentous treaty it is laid down in Article III. that, "Japan possessing paramount political, military, and economic interests in Korea, Great Britain recognises Japan's right to take such measures for the guidance, control, and protection of Korea as she may deem proper and necessary to safeguard and advance those interests, providing the measures so taken are not contrary to the principles of equal opportunity for the commerce and industry of all nations." Before continuing the discussion of the action of Japan in this matter, it is well to call attention to the fact that in Article I. of the first Anglo-Japanese Alliance—the treaty of the 30th of January 1902—England recognised in somewhat more guarded and moderate language Japan's

right to act in Korea. In the article in question the following language occurs:—"While Japan, in addition to the interests which she possesses in China, is interested in a peculiar degree politically, as well as commercially and industrially, in Korea, the high contracting parties recognise that it will be admissible for either of them to take such measures as may be indispensable in order to safeguard those interests if threatened either by the aggressive action of any other power or by disturbances." It will be seen, then, that one of the principal differences in the text of the articles of these treaties which refer to Korea, is that in the second treaty Japan is said to possess paramount military interests in the disputed country, and that England admits Japan's right to take all necessary measures for the guidance, control, and protection of Korea. From this language, it is plain that Japan had hinted to the British Government, during the summer of 1905, that she had failed to grasp hold of anything tangible in Korea, and that it was absolutely necessary for a complete and unlimited mandate to be given her. On this point there can be very little doubt; no Foreign Office in the world would have signed such a sweeping treaty as is the second Anglo-Japanese Alliance without the fullest explanations.

Under authority of the new instrument Japan lost no time. On the afternoon of the same day of the signing of the treaty, the Japanese Minister in London approached Lord Lansdowne and requested

that instructions should be sent at once to Seoul removing the support of the British Government from the M'Leavy Brown Customs Administration in Korea. Lord Lansdowne immediately assented, and to the immense surprise of every one in Korea, the news leaked out, with the quickness which belongs to bad tidings, that the British-controlled customs service was at last finished and done with.

To most people a customs service means but very little; but the peculiar and admirable rôle which such services have played in China and Korea is well understood by students of politics. In Korea, under the firm control of a brilliant Irishman, Mr. M'Leavy Brown, the collection of customs duties and the supervision of commerce and shipping had been well attended to. For twelve long years Mr. M'Leavy Brown had held the fort against all comers. Whilst intrigues swept round him and engulfed personage after personage in Korea, Mr. M'Leavy Brown kept a cool head, paid off entangling foreign loans, and amassed substantial reserves. Being a man of mature years who had been made directly responsible to the Emperor of Korea alone, it was impossible for him to place himself under a junior official such as Mr. Megata, the Japanese Financial Adviser, as the Japanese Government desired. He had refused to be so superseded, and the result was that on the very first occasion the Japanese secured his extinction. Too much censure cannot be heaped on

Downing Street for its precipitate action in the matter, for the step taken caused the British Legation in Seoul to eat its own words; it had been positively stating for months that there would be no British surrender in the important customs matter.

The passing of the clean-handed British Administration, which has always been quite impartial to every one, meant that a veil of secrecy would soon cover the Korean treaty-ports, and that the customs revenues would no longer be devoted exclusively to purely Korean objects. It is such surrenders which cause Englishmen in the Far East to view with suspicion the attitude of their Government on vital questions. Forty years of history have been sufficient to prove that no absolute reliance can be placed on a Foreign Office which has not yet realised the interests which are at stake in the Far East.

It was, then, with the firm knowledge that England had stepped aside and would sanction every move which Japan chose to take in Korea, that the Japanese Plenipotentiaries proceeded with the discussion of the terms of peace at Portsmouth. In the completed treaty, as soon as peace has been proclaimed in the first Article, the very next clause deals with Korea. Article II. states that "the Imperial Russian Government acknowledging that Japan possesses in Korea paramount political, military, and economical interests, engages neither to obstruct nor interfere with the measures for the guidance, protection, and

control which the Imperial Government of Japan may find necessary to take in Korea." The exact meaning attached to these ambiguous phrases of diplomacy was never less clear than in this unfortunate Article. What did the Russian Plenipotentiaries understand by this stipulation? Did they anticipate that a Protectorate would be proclaimed by Japan? On some authority it is stated that nothing of the sort was thought of; that it was assumed that Japan would merely continue her reform work in the same way as she had been doing, whilst maintaining a powerful garrison in the country to show that she was the controlling power.

For a month after the ratification of the Treaty of Peace no move was made, but soon the holding of a Council of State in Tokyo, a meeting which always advertises the fact that some big step is about to be taken, was the forerunner of a drastic measure. In November (1905) Marquis Ito again proceeded to Korea, furnished with the fullest powers by his Imperial master, and it was quickly understood that the fate of Korea hung in the balance. We now approach the most interesting phase in the imbroglio.

Marquis Ito first spent some little time attending to those preliminaries which are considered necessary in Eastern countries. He exchanged visits of ceremony with a great number of Korean officials; he interviewed the Korean Emperor and assured him many times of his esteem, and then, it is reliably stated, some one expended the sum of

Yen 300,000 (say £31,000 sterling) in winning over doubtful members of the Korean Ministry. This, if true, shows that Korea's officials have but a poor conception of their duties.

On the 17th of November the climax came. For two days previously Marquis Ito had been exhausting his best efforts in attempting to bring both the Korean Court and the Korean Ministry entirely over to his point of view. He had signally failed. Up to the 15th of November his efforts had been confined to coercing Korea's timorous but stubborn Sovereign. Marquis Ito had presented personally, it is said, to the Emperor the following three demands :—

1. The abolition of the Foreign Office and the placing of Korean diplomatic affairs in the hands of Japan.

2. The alteration of the functions of the Japanese Minister to Korea to those of *Tongkam* (supreme administrator).

3. The alteration of the functions of the Japanese Consuls to those of *Isa* (superintendents).

In spite of all arguments, however, the Emperor of Korea refused to cede an inch of his ground, and is reported to have at last said :—

"Although I have seen in the newspapers various rumours that Japan proposed to assume a Protectorate over Korea, I did not believe them, as I placed faith in Japan's adherence to the promise to maintain the independence of Korea, which was made by the

Emperor of Japan at the beginning of the war, and embodied in a treaty between Korea and Japan. When I heard you were coming to my country I was glad, as I believed your mission was to increase the friendship between our countries, and your demands have therefore taken me entirely by surprise."

To this Marquis Ito replied, according to the same account:—

"These demands are not my own. I am only acting in accordance with a mandate from my Government, and if Your Majesty will agree with the demands which I have presented it will be to the benefit of both nations, and peace in the East will be assured for ever. Please, therefore, consent quickly."

The Emperor rejoined:—

"From time immemorial it has been the custom of the rulers of Korea, when confronted with questions so momentous as this, to come to no decision until all the Ministers, high and low, who hold, or have held, office have been consulted, and the opinions of the scholars and common people have been obtained, so that I cannot now settle this matter myself."

Marquis Ito then finally replied:—

"Protests from the people can easily be disposed of, and for the sake of friendship between the two countries Your Majesty should come to a decision at once."

Realising that, for the time being, there was nothing more to be done, Marquis Ito, after an audience lasting nearly five hours, was forced to return home. Of course it was impossible that he should confess himself vanquished, and the very next day, following the Emperor's suggestion, he called to his residence all the Korean Ministers. It is stated that although the meeting lasted for many hours until the dead of night, and the Ministers were approached one by one, they followed the Emperor's example and resolutely refused to give way. This having doubly exasperated the members of the Special Japanese Embassy, they woke up on the morning of the fatal 17th, absolutely determined to win their point.

The day was opened with another interview with the Korean Ministers, when they were advised to repair to the Palace, and to open a Palace Council in the presence of the Emperor. This was done, and as soon as every personage of importance was inside the Palace walls, the gates were guarded by Japanese soldiers and gendarmes. Marquis Ito and General Hasegawa, the Commander-in-Chief of the Japanese army of occupation, now arrived. The Emperor refused to see them, but Marquis Ito, not to be denied, proceeded to the private apartments. It is stated that the Emperor then took refuge in a small closet. For many hours an endless discussion raged between the Japanese high officials and the Korean Cabinet, and in the end the Cabinet showed signs of collapse, with the exception of a singularly

determined man, the President of the Council. The latter, seeing that all was against him, in the end tried to escape, but was locked up in a room and cut off from communication with the Emperor, whom he wished to persuade to stand firm. After some further delay, Japanese officials were despatched to the Korean Foreign Office, and brought the Seal of State. The treaty which follows was then sealed in the presence of the Cabinet, Marquis Ito deciding to dispense with the consent of the President of the Council. The Emperor, fairly distraught at the news, essayed a last message to the American Legation, which was never replied to. By something closely resembling *force majeure*, therefore, the following treaty had been extorted :—

"The Governments of Japan and Korea, desiring to strengthen the principle of solidarity which unites the two Empires, have, with that object in view, agreed upon and concluded the following stipulations, to serve until the moment arrives when it is recognised that Korea has attained national strength.

"ARTICLE I.—The Government of Japan, through the Department of Foreign Affairs in Tokyo, will hereafter have control and direction of the external relations and affairs of Korea, and the Diplomatic and Consular Representatives of Japan will have the charge of the subjects and interests of Korea in foreign countries.

"ARTICLE II.—The Government of Japan undertakes to see to the execution of the treaties actually

existing between Korea and other Powers, and the Government of Korea engages not to conclude hereafter any act or engagement having an international character, except through the medium of the Government of Japan.

"ARTICLE III.—The Government of Japan shall be represented at the Court of His Majesty the Emperor of Korea by a Resident-General, who shall reside at Seoul, primarily for the purpose of taking charge of and directing the matters relating to diplomatic affairs. He shall have the right of private and personal audience of His Majesty the Emperor of Korea. The Japanese Government shall have the right to station Residents at the several open ports, and such places in Korea as they may deem necessary. Such Residents shall, under the direction of the Resident-General, exercise the powers and functions hitherto appertaining to Japanese Consuls in Korea, and shall perform such duties as may be necessary in order to carry into full effect the provisions of this agreement.

"ARTICLE IV.—The stipulations of all the treaties and agreements existing between Japan and Korea, not inconsistent with the provisions of this agreement, shall continue in force.

"ARTICLE V.—The Government of Japan undertakes to maintain the welfare and dignity of the Imperial House of Korea.

"In faith, the undersigned, duly authorised by

their Governments, have signed this agreement, and affixed their seals.

"*November* 17, 1905.

"(Signed) HAYASHI GONSUKE,
H.I.J.M.'s Envoy Extraordinary and Minister Plenipotentiary.

"(Signed) PAK CHE SOON,
H.I.K.M.'s Minister for Foreign Affairs."

The morning of the 18th of November was one of consternation for the whole of Seoul, and the indignation and panic at the capital soon spread all over the country. The true facts of the case were soon known, and some comment was aroused in foreign countries. Inquiries directed by foreign governments to Seoul, regarding the value of the treaty—notably in the case of the United States—were met, however, by the reply that the upsetting of the instrument would have just as many disastrous consequences as its being put into force, and that a waiting policy was the only one to be pursued. The revolution which was at the time beginning to distract Russia, made the most powerful opponent to such a step quite silent, and since the Anglo-Japanese Alliance forbade all interference, the treaty soon became an accepted fact. Marquis Ito returned to Tokyo, and almost immediately an Imperial Ordinance was published, establishing the office of Resident-General in Korea, abolishing the Japanese Legation, and appointing a large number of Residents and other officials to supervise and assist in the government of Korea.

Such is an unbiassed account of the direct result of the Portsmouth Peace on Korea. And as if to show the good results which had been already accomplished in Korea, anterior to Marquis Ito's mission in November, a general memorandum was tardily published by the office of the Financial Adviser at Seoul, detailing what had been already done. This is the last document it is necessary to discuss. It is of some importance, since its crux is the financial question, and since it establishes clearly the lines along which Japan will work.

The currency of Korea, although nominally on a silver basis, is composed of copper cash on the Chinese model, and of nickel coins. The coinage of nickels had for years been going on in much the same way as the new copper coinage of China is proceeding. In other words, Korea was being flooded with all kinds of nickels, and the country suffered in the usual way. The action of the Japanese Administrators in attempting to deal with this evil is, therefore, to be applauded; but their methods have been highly unsatisfactory. After some investigation, it was decided to withdraw gradually all Korean nickels from circulation by exchanging two Korean nickels against one new nickel of five sen value. These new nickels, together with a new subsidiary coinage, were to be the beginning of a monetary union between Japan and Korea. That was the first plan.

The exchange of Korean nickels on this basis was begun in the summer of 1905, and declared

practically completed by the autumn of the same year. In that time about 100,000,000 nickels, many of them spurious, were withdrawn from circulation. This meant about 11,000,000 Korean dollars in value. According to the memorandum in question, it would appear from this as if the coinage of the country had already been placed on a more stable basis, and that the nickel-coin question was in a fair way towards being solved. The very reverse is the case. The exchange operations having been practically confined to two places, Seoul and Chemulpo, where Japanese and Chinese dealers predominate, it has been clearly shown by travellers who have recently covered the whole country that the old nickels and the old systems continue to predominate outside a narrow radius round the Korean capital and the principal treaty-port. In other words, Japanese activity has been confined in this important financial matter to convenient centres, and real Korea—the country of little huts and lonely stretches of wild-looking country—has been untouched. It is very significant that this should be the case, and the generally accepted explanation is not flattering.

Nor is this all. The exchange of old nickels has been responsible for a great shortage in the money markets, and for a general enhancement in the cost of living. The new Japanese Financial Department, not content with the large profits which it makes from this recoining—profits which so far have not been properly accounted for—has allowed the Dai

Ichi Ginko, which, under Baron Shibusawa's control, possesses, as has already been stated, a practical monopoly of banking in Korea, to issue an enormous number of Korean notes, which go as low as ten sen, say twopence-halfpenny, and which, although supposed to be of the same value as Japanese national notes, are at a five or six per cent discount. Therefore, side by side with the old and the new nickels, there is this questionable paper currency, which is fast coming into as light esteem in Korea as the Japanese war notes enjoy in Manchuria. The Korean Budget, instead of benefiting by the new state of affairs, shows a heavier deficit for the year 1905 than has ever been the case. The deficit for 1905 is upwards of 4,000,000 Korean dollars; but no reason is given for this parlous condition. It is true, according to the memorandum in question, that the salaries of Korean officials have been somewhat increased, but against this must be set the fact that the number of such officials has been reduced. Perhaps the true explanation of the deficit is that the salaries of the inordinate number of Japanese officials whose names are now found on Korean pay-sheets amount to a very large sum, and that further heavy disbursements have been necessary to perfect the so-called Japanese system. The memorandum in question states that the Korean army has been reduced by disbanding 8214 men and 311 officers, thereby effecting an annual saving of Yen 1,000,000; that a further

sum of half a million yen has been saved by "reorganisation of departments"; and that other reforms are to follow. Yet if the expenditure continues to grow in ratio to the reforms effected, Korea's last state will be worse than the first.

Not content with these controlling moves, a number of other petty things have been done in Korea which are roundly denounced by foreign observers. A system of co-operative warehouse companies has been established, all tending to place the great piece-goods trade in Japanese hands. Formerly nearly half a million sterling's worth of Manchester goods was imported; in a few years this trade will be killed. There has also been an issue of regulations respecting promissory notes, and the so-called "note associations," which are simply relics of the old Chinese methods of trade, have been forcibly dissolved. The object has been to substitute Japanese methods as quickly as possible, instead of allowing, as other administrators would have done, the new methods to prove their superiority by the lapse of time. And, finally, in order to meet the demand for ready money, loans have been issued in a manner which has been severely criticised by impartial observers. Korea had practically no debt in 1904; in 1906 she owes, thanks to reforms, about Yen 15,000,000, an infinitesimal proportion of which amount has been expended in useful or productive works. A first loan of Yen 3,000,000 bearing six per cent interest was issued in the early part of the war to effect financial reforms. In 1905 the deficits

existing necessitated the issue of Yen 2,000,000 bearing seven per cent interest. In 1906 there has been the issue of a Yen 10,000,000 loan at six per cent in Tokyo, which is to be applied to the industrial development of Korea. If the present policy is pursued every year will see more loans.

The history of this last loan is curious. Up till 1906 it had been exclusively the Dai Ichi Ginko which had been benefiting from the exploitation of Korea. The Industrial Bank of Japan (*Crédit Mobilier*) is supposed to have become jealous of this favouritism, and to have tendered for the privilege of floating a new loan. As the bank had rendered important services during the war, it was decided to place the issue of the ten-million yen loan in its hands. The terms were far more severe than necessary, the issue price being very low, the underwriting commission high, and the rate of interest exorbitant. But this did not matter since Korea is a negligible quantity. At first the only reform measure which was to be undertaken with these funds was stated to be the building of water-works in Chemulpo, but later on the criticism which this policy provoked forced an announcement to be made that a certain proportion of the proceeds of the loan would be devoted towards road-making. It will be seen, therefore, that it is hardly Korean prosperity which is aimed at.

These are the various points which are outlined in the memorandum in question, and a perusal of them hardly convinces one of the ability of the

Japanese to play the part of reformers in an alien land. For none of the questions which have aroused such bitterness in Korea are touched on. Take, for instance, the matter of Korean railways. More than forty million yen have been spent in building the 600 miles which constitute the Korean grand-trunk railway running from Fusan to the Yalu. But instead of spending a few millions more in compensating peasants who have lost their land, the peasants are told that by virtue of an agreement with their Government, Japan has nothing to pay, and that it is the Seoul authorities who must be approached. This is tantamount to declaring that no one will get anything. Enraged peasants have been shot out of hand for pulling up the stakes which have been driven into their land, or for tampering with the railways.

Then there is the Ryongsan case. Ryongsan is a huge stretch of land lying beyond the South Gate of Seoul and running straight down to the important Han river. The area involved is so large that I should not care to specify the exact number of square miles staked out, but it is certainly a matter of dozens. Some of this land was bought and paid for by the Japanese military authorities, and has been occupied by them for some years. The remainder, which is now under dispute, has, however, not been bought, but is in process of being acquired in an arbitrary way, which will give the *bona fide* owners next to nothing, owing to the curious procedure adopted. The excuse advanced

by the authorities—that the possession of the land is a military necessity—is laughed at by every one in Seoul; but this is mainly because the denizens of the Korean capital have not yet understood that Japan is already preparing for the possibility of a war of *revanche* taking place at some distant date, and that Ryongsan may eventually be a species of armed camp and an immense railway junction combined. And it must be said that the site has been well chosen. The river Han sweeps up alongside of this district; the Seoul-Fusan railway's main terminus is but a stone's-throw away; the Chemulpo railway runs up from the treaty-port and the all-important sea, joining the Fusan railway not far from here; the Northern Korean railway (the Seoul-Wiju line) starts also from here; whilst finally the Seoul-Gensan railway, now under construction, will have its terminus on a portion of this vast reservation.

Thus four railways, all of which must have great strategical importance so long as Japan remains a purely island empire, meet in the neighbourhood of Ryongsan; and this network of systems will allow the Tokyo Government, even though an immense hostile fleet is in the Sea of Japan, to pour troops both into Manchuria and towards the north-eastern Korean frontier in absolute tranquillity, provided the Tsushima crossing is strongly held and closely watched. One must therefore be quite prepared to admit that the entire district of Ryongsan is of great strategical importance to the Japanese military

authorities, and that its acquisition is to be applauded. But the methods adopted are those which no sane administrators would for a moment countenance unless they were anxious to provoke trouble.

For what has been done? The people who live in this district have been roughly given notice to quit within a short time-limit; nothing has been adequately explained to them; and as they have naturally hesitated to go, gendarmes have overseen their eviction and the staking-out of their land.

And what compensation is being offered them? The sum of Yen 200,000, or say £20,000 sterling, the maximum which Mr. Megata is prepared to sequestrate from the Korean Treasury for a purpose which is no immediate concern of his. A committee of three, composed of a member of the Japanese Legation, a Japanese military officer, and the Korean Civil Governor of Seoul, is to subdivide this magnificent sum amongst several thousand people, and then the affair will be nominally ended. Not entirely, however. For this cheese-paring policy has lit anew the fires which have slumbered so long, and an economy of a million or two yen effected in this manner will eventually cost the Japanese reformers many more millions in other directions, and will make them deplore the day when some evil genius inspired them to be mean, when a little generosity would have won for them credit and renown, and silenced their enemies.

Apart from this Ryongsan affair, which in Korea has only been one degree less celebrated than the Nagamori scheme, there are numerous other little instances of injudicious land-grabbing by private Japanese. Of course, it is but fair to admit that in many cases it has been proved beyond a doubt that rascally Koreans have aided and abetted the schemes of Japanese adventurers, and have falsified title-deeds with the specific intention of ousting the rightful owners from their property. But in other cases, of which I have satisfied myself that two are genuine beyond a doubt, Koreans have been filched of their land in the most cold-blooded manner it is possible to imagine. Japanese roughs have come, driven in their stakes and boundary-posts, and have literally terrified the luckless and effete owners into dividing their property with them under pain of worse things happening. How the Japanese Government has allowed such things to occur, many people are at a loss to explain. That these things can be deliberately concealed is impossible, since all Korea talks of them, and the one remaining explanation is that the Government is waiting until the new Judicial Commissioners are appointed and exhaustive reports have been handed in. Yet Marquis Ito has now been Resident-General for more than half a year, and nothing has been done. The sooner action comes the better, for the speaking Persian proverb, that land, women, and gold are the seeds of all trouble, is being strikingly exemplified in Korea to-day.

In the circumstances which have been detailed, one would have thought that the survey of Korea would have been promptly taken in hand by the Japanese Government, so as to remove all possibility of land robberies taking place, and to discover, after all this talk of colonising, what fallow land, susceptible of cultivation, actually existed. I have asked the highest Japanese officials why this has been neglected, and I have been told that it was on the score of expense that the survey had been delayed. This excuse appears hardly to be a valid one, if the fiscal reform of Korea is anything more than a phrase. Seeing that considerably more than 80 per cent of the Korean revenue is derived from the land-tax, and that that land-tax only produces some eight or nine million yen, when the most conservative estimates consider that clean-handed collection would produce some Yen 20,000,000 per annum and would also allow many much-needed reforms to be promptly inaugurated, the survey of Korea is a matter which would receive immediate attention were, let us say, England the Power charged with the administration of the country. In this connection it is well to remember that eleven Jesuit priests successfully surveyed the entire Chinese Empire two centuries ago, when mathematical instruments were of the crudest and most primitive kind, and that were the Japanese army of occupation promptly turned on to this work, it would be completed in very few months. It is, of course, said in Seoul that the Japanese authorities do not wish the

land to be clearly marked out on Government maps, as none of the railway land has been paid for, nor the proper title-deeds acquired by many private Japanese, who already nominally own big tracts of arable land. These are ugly statements to be made against a reforming Power.

Especially to be censured is the appointment of numberless Japanese police inspectors all over the Korean provinces. The Japanese police has recently so distinguished itself in Tokyo that it would be superfluous to condemn further a system which too closely resembles that erected by Napoleon in France a hundred years ago to be possible in this enlightened age. And when it is added that the pay of these men is on a European scale, that is, that they receive in many cases four or five times as much as they would earn in Japan, their presence becomes even more questionable. Apologists point out that they must be paid on a European scale, or else the Koreans would rate them as inferior persons. This argument is absurd at the present moment. When Japanese of the middle and lower classes can do the work and shoulder the responsibility which a European of the same standing would have no hesitation in doing, then and only then should their pay be on a proportionate scale. But at the present moment it is notorious that at least three Japanese of the lower grades are needed to do the official work of a single European, and consequently division of responsibility should be accompanied by a division of pay.

With the Emperor of Korea under the firm control of the Resident-General, when the latter is not absent in Tokyo; with the railways being turned into purely Japanese Government concerns; with the Department of Communications a purely Japanese department; with the finances under the thumb of a Financial Adviser; with the Seoul Legations abolished; with mining, fishing, lumbering, and every other productive form of industry being monopolised; with the country overrun by 80,000 immigrants, and strong garrisons of soldiers at every necessary point under the command of harsh General Hasegawa; with all these things in her favour, Japan still feels that she is playing like a cat with a mouse with Korea. That is the plain truth to-day.

The unsympathetic survey which has been made of the concrete results actually obtained by the Japanese reformers has been necessary in order to accentuate light and shade; but even this survey, hostile as it may appear at first sight, by no means conveys an adequate idea of the extraordinary change of opinion which has taken place in the country amongst those classes of Europeans and natives who are at heart favourable to Japan and whose views largely correspond with the views enunciated in the new Anglo-Japanese Alliance instrument. It is generally believed that there is not a single person of European or American nationality in the whole of Korea—and I speak mainly of people who are true friends of Japan—

who does not privately think that the Japanese have wasted magnificent opportunities, have adopted entirely wrong principles, and that something must be quickly done to recover lost ground. They see in the termination of the M'Leavy Brown Customs Administration and the approaching substitution of a purely Japanese service, a desire not for actual reform but for absorption. They know that, in spite of all her declarations, Japan must act in her own peculiar way in Korea or else lose the confidence of her own people, who have been taught to look upon this unhappy country as their own province. Everybody knows that the Emperor of Korea is still intriguing with the Russians; that several of the Korean Ministers abroad refuse to return home because they are still plotting in their country's interest. Whilst England and America have apparently resigned themselves to the passing of Korea as an independent State, Koreans have not abandoned hope, and continue to rise in small bands of hopeless, misguided men against the "accursed nation," as it was named three hundred years ago. What is to be the end? Will Japan finally succeed, or will she fail, as she has failed before, in Korea? No man may say; but unless there are vast changes in the methods used the outlook is of the gloomiest. If the creation of Korean national services controlled by a thin sprinkling of aliens were at once taken in hand, and the idea of amalgamating everything possible with Japanese Government Departments entirely abandoned, there might be a great

change for the better. But unless this is done, no matter what new agreements are made, no matter how much outward appearances may point towards Korean willingness to accept Japanese tutelage; so long as the policy of exploiting the country for what it is worth continues, the Emperor and his people will secretly seek to upset any structures raised by Japanese genius, dreaming, as they still do, that one day from the North mighty hosts will sweep down and drive their enemies into the sea. And with these words it is best to stop.

NOTE

The position in Korea has changed slightly since the June insurrections. The hatred for Japan was sufficient to goad small bands of Koreans to open risings, which were soon crushed. As a result of investigations conducted by Marquis Ito, it has been proved that the Emperor of Korea was cognisant of what the leaders of the insurrectionary movement proposed to do, and consequently the Emperor is now virtually a prisoner in his own Palace, with every entrance guarded by Japanese police. The unhealthiness of the general situation is added to by the authoritative statement that the Russian Consul-General to Korea now refuses to accept his *exequatur* from the Japanese Government. The diplomatic question is therefore in danger of being reopened; and with this there is a secret recrudescence of plotting.

The memorial sent in by the leader of the "Volunteer Bands" to the Emperor of Korea explains everything. The writer, who has since perished, was a famous Confucian scholar, and had held a high post in the

days of the old *régime*. There is something very pitiful in this lament. It is a last word on the situation.

"Your Majesty, how can I explain the sad event of November 17th last year? The betrayers of our own country and the plunderers from abroad combined together to menace the Emperor and to force a treaty upon our country. This treaty allowed the Japanese to invade our country with impunity, so that the word 'Korea' is now but an empty name, and the throne of your Majesty a mocking symbol of departed power. There now remains no place where the dignity of the Imperial throne of Korea may be maintained, and a day will come when the nation will be obliterated. There have been in history other examples of the destruction and obliteration of nations, but never has this been accomplished by such means of duplicity and cruelty as the Japanese have employed in Korea.

"For reasons of their own the Japanese have attempted to persuade the rest of the world that their actions in Korea are due to a desire to maintain the peace of the East, and bring the Oriental nations into harmony with each other. No Korean can possibly believe such a story, and yet your Majesty's Ministers have become the willing tools of the Japanese, professing to believe their promises that all our privileges shall be restored to us after our country has become strong and wealthy!

"The Japanese possess no humanity, so I may not blame them for not possessing other human virtues; but the betrayers of our own nationality I and my followers can only describe as traitors. Every day brings news of fresh aggression upon our beloved country, and I, old man as I am, have no desire to live. Each day longer that I live brings sadder and sadder news, and I therefore look forward to the day when I shall follow

General Min and Cho, Hong, and Song to the other world.

"In our ancient history we find the names of many men who have struggled for the dynasty of this country: Mija, who escaped to China with the Royal archives to await the appointment of a proper king, was one; there were others, such as Pom Kyong-mun, etc., who died fighting for their country; and there were others again, like Moun Tien-sang, who went about the country collecting volunteers to drive out invaders and re-establish the power of the dynasty.

"I, myself, your Majesty's humble servant, am filled with regret that I have lived to see Korea brought to its present sad condition, and I know that according to our customs I should enter the Palace and, after presenting my memorial to your Majesty, put an end to my life. But, as I know your Majesty has been powerless to control recent events, and I know that your subjects are still patriotic and full of love for their country, I feel that I can best serve the cause of Korea by endeavouring to drive out the intruders.

"Therefore, in emulation of the great Moun Tien-sang, I and my friends have been planning for several months, and although we have not the wisdom and ability of our predecessor, we have decided upon measures which we think will be successful, and our adherents are greatly increasing in number every day.

"It is our plan to gradually make our way up to Seoul, and there call a meeting of Marquis Ito, General Hasegawa, the foreign representatives, and our own Ministers, to negotiate for the return of the treaty which was extorted on November 17th of last year, as well as such other treaties as have been wrongly obtained from our Government. We shall also ask that the Japanese

advisers be sent back to their own country. We would consent to abide by the result of such negotiations; to cancel what should be cancelled, and to reform what should be reformed.

"Our one desire is to avoid such a calamity as the downfall of our Empire and the extermination of our race, and as we know that our power is insignificant in comparison with that of the Japanese, it must be evident that we desire to appeal to the world's sense of justice more than to force of arms.

"If, however, God will not help me, and I am destroyed before I can avert the calamity which is overtaking our nation, I shall meet my death with resignation. And I pray that in my next life I may become a devil or a demon, so that I may torment and drive away the Japanese invaders and those of our own nation who, being without any sense of patriotism, speak of us, Your Majesty's loyal subjects, as 'bandits' and 'rioters.'

"In tears and with lamentations, looking up to heaven and praying for the Imperial House,

"CHOI IK-HON."

CHAPTER IV

IN NORTH-WESTERN KOREA

IT is at disputed Ryongsan that you entrain on the Seoul-Wiju railway—the railway which ultimately will link with Moukden. To accomplish this, once more is an impossibly early rise necessary; for you must journey from the city walls of Seoul down to the Yalu railway terminus by a daybreak train in order to make your connection, and then idly twiddle your thumbs for an hour or two until a mixed Pingyang train of open trucks and one covered van is made up. This is a lengthy process, as you do not officially start until seven or eight in the morning, and you are patronising a line which is still closed to the ticket-buying public and only opened to you by courtesy. It will take years before this Korean-Manchurian railway system is in proper working order.

The motley Japanese crowd which gradually gathers to board this complaisant so-called military railway is mainly shrouded in red or white blankets, for the air is cold and will soon be colder, as all those who have ridden on construction trains are fated to know. The crowd, thus shrouded, is

difficult to classify and assess at its proper value. Who are all these people who congregate every morning duly provided with military passes and wish to journey to Northern Korea? Examination proves that most of them are Japanese of the lowest classes; but what their business is, it is far harder to say. Coolies, small pedlars, and small dealers going to Pingyang to spy out the country beyond, must form the majority; but there are always a number of more respectable people who seem oddly out of place in "pot" hats, when seated on the top of rails and sleepers. This is the open sign of the great invasion.

Fortunately for the favoured few, there is a covered van, and once inside you even discover *hibachi* on which you may toast your frozen toes; whilst benches, elegantly ranged and securely nailed to the floor, do not make it necessary to cramp dog-like on your belongings.

The start from Ryongsan of the daily Pingyang train is uneventful enough, and there is nothing much to notice excepting that sectional officials, possessing complimentary officers' rank and therefore adorned with swords, enter the van with you. These are the only outward and visible signs of the fact that the Seoul-Wiju railway is a purely military line, except perhaps that a Major-General is in supreme command of the whole work. Each of these railway officials, in addition to his sword, possesses a silver or gold star on the top part of his left sleeve. This is a mark of special significance;

it is the hall-mark of Japanese military railways, a hall-mark which will be more to the front in the next war than it was in the last. Every man connected with this railway, be he sectional engineer, superintendent, station-master, or mere conductor, has that big loosely pointed star on his left arm. If he is of comparatively high rank, his uniform and his sword are so imposing as to invest him with a supremely military air; if he is but of medium rank his uniform automatically acquires a furtive look as if it avoided close examination because it has been created too quickly, whilst the trouserings bear unmistakable signs of being mere civilian breeches summarily impressed into military service, and keenly feeling their shortcomings. And finally, when the official is only a conductor, even the miniature sword is denied him, and he must push his left shoulder well forward to force a realisation of his rank and military pursuits on the casual beholder. Truth is, were I of this impromptu military caste and, withal, rather junior, I should not dearly love my sword, in spite of its Samurai note. For it would appear to be the fate of an acting-assistant-probationary-deputy-sectional-engineers'-aid to travel sometimes sword-armed in the engine-driver's cab, doubtless to impress the locomotives with their military character; and it is without question one of the most fascinating sights to be seen on this line to witness such a youthful gentleman mount or dismount the engines, which are very big. One is reminded vaguely of the

horse-marines, for swords and the moving of levers do not mix. But although these swords and the system may amuse, there is no question about the men themselves; for was it not their brothers in system who won the first tricks in an unfinished war?

North of Seoul the country soon settles down to a new look, quite different from that of Southern Korea. The barren mountain peaks are no longer here to be seen; low-lying hills, covered with scrub and bushes and bentwood fir-trees, have taken their place; and instead of a richly watered soil, the ground is rapidly shading off to clay-red. The nature of this soil soon shows itself in the character of the crops: water-loving rice, deprived of its black mud, can no longer flourish as in Southern Korea, and so the grains of the dry countries become more and more conspicuous. But nature has a compensation everywhere, and here there is no exception. Firewood can be gathered in armfuls from every hill, and even as you puff along you see many white-clad Koreans staggering down hilly paths under enormous loads, carried on their pitchfork packs, sure heralds that the bitter winter is rapidly approaching.

It is not good for your head, however, to stand too long clutching at your van door surveying this scene; for you are soon reminded with ugly and sometimes alarming bumps and jumps that the 302 miles of this railway have been built in thirteen months, and that your fate may even now be to

roll down a steep embankment and perish ignobly in a wreck. This is not the fault of the Japanese engineers, for admirably have they done their work according to the text-books; it is merely a manifestation of the inevitable. For it is impossible to build three hundred odd miles of railway with such frantic haste, hundreds and even thousands of miles away from civilisation, and have everything in perfect order; and neither is it possible to guard against the ravages of a rainy season almost as severe as that of Manchuria itself, without much study and improvement of weak spots. So the line is very bumpy, and very rough-and-ready in every way.

And when you stop at the rare stations, and meander up and down the iron way, you discover not only the mystic name "Carnegie" melted into the rails, but also Krupp, Wakamatsu, and the imprints of British steel-works. This tells you that the markets of the world were scoured for steel during the war, and rush-orders placed anywhere and everywhere so as to secure quick delivery; and therefore another reason why you cannot run smoothly is added to those I have already given. Rails had to be found and put down during the war, no matter at what cost or in what fashion, in order to satisfy the demands of the headquarters staff; and although the war swept far away, as it was bound to, and left the line largely a railway in the air, the work was completed entirely by Japanese engineers, in the time-limit set, at a rate which has beaten all previous records.

You have very soon left all traces of the comparative civilisation of Seoul behind, and there is nothing but a rolling country. The stations, as I said, are very rare, and even when you stop at them it is hard to find much trace of permanent buildings. There are stacks of reserve rails, piles of sleepers, and may be a little shanty or two, into which the telegraph wires run. Only far away, under the shelter of some hill, can you make out a few buildings of a type which soon become familiar to you. They are low-lying, white-washed dwellings, standing out distinctly against the yellow-brown background. In these are housed the sectional railway staff and a file or two of soldiery of the Landsturm class. Beyond such signs there is nothing to be seen; there are no civilian Japanese.

At regular intervals the inspecting military engineers mount and dismount, handing the train on as it were from section to section, and completing that endless piece of machinery which the Japanese system erects wherever it goes. Nor do they content themselves with merely attending to their own duties, these minor officials. The telegraph has ticked ahead a mysterious message, and therefore each new arrival does what little he can to provide for your comfort, and to show you that the study of English is now everywhere actively proceeding. Providing for your comfort is no empty phrase, for the Japanese understands above all men what courtesy really is, and can extend to you if he wills, and if it is prearranged, an Arab-like hospitality

which is embarrassing in its punctiliousness. The rough benches are therefore softened with rugs; beer and cocoa disappear with charming impartiality, *faute de mieux*, into your interior economy; and of tiffins you soon have more than surfeit. It has been so ordered.

All day long you push on towards Pingyang, which divides the three hundred miles to the Yalu conveniently into two parts; and only once along this one hundred and eighty miles of road is there any town which has been in any way settled by Japanese. At Songdo, which is some fifty miles from Seoul, and is the least imposing of the half a dozen Korean towns dignified with the name of city, there is a Japanese settlement of mediocre importance, which, however, is far behind that of the companion city, Taiku, in size. Cakes and rice and a drink of *sake* can be bought here by the traveller, but beyond that there is nothing. Colonisation obviously does not yet spell comfort.

Once past Songdo, for a hundred miles you lumber through a country which presents no very characteristic features beyond those already mentioned. Occasionally you may see a Japanese mounted gendarme, in his distinctive red trousers and his French-looking *képi*, rein in his horse and watch the train steam past before resuming his lonely patrolling of the countryside. But apart from a thin sprinkling of such men and the regulation guard-posts of forty and forty-five year old

reservists watching the railway, there are few evidences of the Japanese.

As the shadows lengthen and the day draws to a close, a change in the country occurs. Sometimes the hills smooth away almost entirely, making room for plains whose importance cannot be exaggerated in this rugged land. The tall *kaoliang* of Manchuria is still standing stacked here on the fields, and horned cattle are to be seen in numbers which would almost create a panic in Southern Korea. These little plains and these little valleys are characteristic of these latitudes, for Japanese who have crossed from here to the eastern coast, where Gensan lies in almost the same parallel as Pingyang, say that the country everywhere presents the same promising features. And not only this. Just south of Pingyang the Taidong river, a navigable stream which empties itself into a broad shallow inlet of the Korean coast, is to be seen. In this inlet is the thriving port of Chinnampo, whose prosperity is bound up with that of Pingyang. If Pingyang and the country immediately around it can be developed energetically there can be but little doubt that here, in Northern Korea, Japanese enterprise may be somewhat repaid. Economically, then, this is the most promising part of the new country.

Your arrival at Pingyang confirms this view. Your train has picked up along the road all sorts and conditions of Japanese and Koreans until it is fairly packed, and the sacrosanct covered van has been more than once menaced by a Hideyoshi-

like invasion. The heavily laden train swings into the Pingyang station to find an equally big crowd of Japanese awaiting its arrival; a crowd rougher and stronger and more like pioneers than elsewhere. There are civilians in quantities, and large numbers of soldiers in fatigue dress who press around you. But more astonishing than all this after your long run through a silent country are the ricshas. A long string of these vehicles, hauled by Japanese, are there awaiting fares—a sight you can see in no other part of Korea. For even in Seoul there are none but private ricshas, with Japanese coolies; the public vehicles are all pulled by Koreans. In Central and Southern Korea it is being rapidly proved that Japanese cannot perform menial work side by side with Koreans. Just as in currencies the baser sort drives the better out of the market, so with men is it impossible for the more civilised to labour side by side with those whom they rate inferior. This is a point which has been so far very little commented on in Korea, but which must form one of the greatest natural obstacles to any true colonisation of the country; for even supposing Japanese model agricultural communities are formed, either by public or private enterprise, surrounded as they will be by a dense Korean population, it would be merely a matter of time for them to be turned into farming establishments, in which the Japanese become mere overseers and the Koreans the real labourers and the real motive-power. Until, then, the status of the Koreans is much raised by education,

and intermarriage with the Japanese takes place—the last being highly improbable, as there is no sexual intercourse between the two nationalities—there will be almost insurmountable difficulties to overcome in settling any portion of the country.

Oblivious, however, to the perplexing racial problems they were innocently raising in my mind, the Japanese ricsha men had seized me and had borne me off rapidly towards the city of Pingyang, distant a mile or two from the station. Pingyang, the old capital, still possesses its royal palaces in the Chinese style—huge enclosures, which shelter ruined buildings; it is undoubtedly the second city of the country. Whilst I had been in Seoul, rumours—those wild Korean rumours which never cease, and which became from day to day more impossible—had been rife to the effect that the Emperor and all his Court had been contemplating a sudden retreat to this former capital, in order to disconcert the Japanese and frustrate their new plans. What good such a move would do, even were it feasible, it is impossible to see. It is only that Koreans see in startling novelties universal panaceas for their many ills, and, dreading always the future, they now believe in flight. Once past these palace walls, a rapid run brings you to the outlying houses of the Japanese settlement, which has gone up like magic here since the war. Just outside of the Korean city, and on either side of broad streets, there are Japanese houses and Japanese shops in quantities, and this overseas

population, which fifteen months ago only ran into hundreds, now numbers some four thousand persons. It is significant and curious that the Japanese women should largely outnumber the Japanese men. The spring of this year[1] has seen a further great increase, and it is probable that in a very few years Pingyang will have an importance from the Japanese point of view rivalling that of Seoul itself. Prices, however, are for the time being exorbitant, as, indeed, they are in every part of the country, and for a night's lodging in a Japanese inn you pay the same as in the best Far Eastern European hotel. This state of affairs cannot profitably remain, for the day will come when all the pigeons will have been plucked.

The morning train which bears you north has far fewer patrons than the daily omnibus which travels from Seoul to Pingyang; and a cursory examination discloses that passengers from here onwards are only counted in twos or threes. As the railway curves away from Pingyang, you see to the north-east of the city the range of hills from which the Russians fired the first shots of the land campaign on the 28th of February. Mischenko's raiding Cossacks, who were to accomplish such wonders when the war was very young, according to the critics, and who had pushed far south of this only to flee rapidly back on the rumours of the Japanese advance reaching them, halted a small party of men in these hills, and as soon as the feeble Japanese

[1] It will be understood that this volume was written during the first half of 1906.—*Publisher's Note.*

advance guard appeared, engaged them in a most foolish and unreasoning fashion. The junior critics of the war have severely criticised these Russian raiders for not seizing and holding Pingyang; but seeing that it has no strategical value, and that Russian cavalry are not exactly the kind of men to waste in entrenched positions, this criticism is valueless. It is a few dozen miles to the north of Pingyang, as will shortly be seen, that nature has provided an obstacle of such a formidable nature that any other commanders but Russians would have recognised it as heaven-sent. Some forty miles beyond Pingyang is Anju, a little town of no importance; and four or five miles beyond this the railway comes to a sudden halt. The reason is soon clear. The enormously broad and treacherous Chyöngchyöng river has been reached. This is the heaven-sent obstacle.

The rails run right down to an improvised embankment, alongside of which are steam-launches; and boarding one you bid good-bye to all connection with mid-Korea. In all truth this is a formidable obstacle which nature has provided. Just at the railway crossing, which is only a few thousand feet from the old highway along which Kuroki advanced, the river is fully a couple of miles broad, and a clever and mobile enemy might have made a protracted resistance here with very little danger to himself, for, even when the river is frozen, it is extremely difficult to cross. So unsatisfactory and dangerous is this present crossing, and so effectively

DALNY: GROUP OF WOUNDED JAPANESE SOLDIERS IN THE FOREGROUND.

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ON THE BANKS OF THE CHYÖNGCHYÖNG RIVER.

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does it divide the railway into two distinct lines which have but little connection with one another, that the Japanese engineers, at an immense amount of trouble and expense, are already rectifying and improving the line by carrying it nearly a score of miles to the north, where the river is considerably narrower and the ferrying more easily accomplished. But even at this point it will be quite impossible ever to bridge the water. In a year or two, however, the crossing will be much more easily accomplished than at present.

Near the northern bank of the river are anchored a few small steamers, proclaiming that the sea is only a few miles off and that small coasters can creep in, in spite of all navigation difficulties. The railway terminus on the northern bank is littered with materials brought by steamer direct from Japan; for the construction work as you near the Yalu shows signs of having been more and more hasty, meaning that patching and improving will have to go on for many months to come. At this point there is a fairly large encampment of military, but apart from these soldiers there are no signs of Japanese activity.

It was not for several hours that a train was made up, and then the manner in which this ungainly river splits the Northern Korean railway into two distinct component parts was strikingly exemplified in the passengers. Alas, of the valiant band who had started with me from Seoul only the day before, but two or three now remained. The

rest were all gentry who had just crossed from the Anju side, or had coasted in by steamer, and now proposed pushing on to the Manchurian frontier to see whether there was anything to be made there. Everybody who wishes can obtain a military railway pass for the asking; for were there anything to pay, I fear even these few passengers would disappear. For a few miles north of this the wet nature of the soil, and the abundance of water provided by creeks which finally empty themselves into this river, allow the cultivation of rice; then too soon the irrigated land is left behind, and hills and mountains begin to appear more and more frequently. But if cultivation becomes scantier, one is amply compensated by the glory of the autumnal colouring on these northern hills. Every tree and bush is russet-brown or ochre-yellow or blood-red; and sometimes the crimson of the leaves is so violent that it is as if they had been dipped in the blood of fallen Russians, to reappear each year for evermore as gory marks of the fighting. All the long afternoon you journey through this country, with the air becoming more and more chilly as you head almost due north. And every mile you leave behind you, discloses more and more admirable positions from behind which Russian forces might readily have stayed Kuroki's advance again and again. Then when you have tired of all these things, twenty miles from the Yalu, the fact that Manchuria has almost been reached is suddenly brought home to you. This is done by the sight of

the first Chinaman. My man was standing with Chinese nonchalance quite apart from a small crowd of Koreans, and was waiting for the train to stop. In his mouth was a Japanese cigarette; his feet were encased in Manchurian *wula* shoes; and on his back was a big bundle of something he had most probably bought for next to nothing from his simple-minded Korean neighbours. The train duly stopping, the Chinaman climbed equally nonchalantly on to a truck, kicked a Korean because he saw some one else kicking one, and sat down. I hailed him gruffly in the vernacular, and asked him if his rice had been eaten. He regarded me without surprise, settled himself more comfortably, and made some remark about the poorness of the railway. Then, as if taking up a conversation he had left off years ago, he went on: "This country would all be ours had there been no wars. Already on both sides of the river everything worth having belongs to us." It was quite true; Chinamen appeared more and more frequently on this Korean soil as we neared the frontier river. Sometimes there were ostensibly small dealers with packs on their backs travelling the country and making what little money they could; but as often as not they were seated at the door of a Korean house with a Chino-Korean family grouped around them. Thirty years ago the Koreans were still owners of much of the Chinese side of the Yalu river—in these old days when there was a neutral zone which neither China nor Korea was entitled to touch or govern. Now,

were it not for the new Korea which Japan is intent on creating, the Chinese would slowly but steadily drive the Koreans back foot by foot out of every bit of this *kaoliang* country of North-West Korea—drive them back as they drove them out of old Liaotung—drive them from the Yalu to the Chyöngchyöng river, and then on perhaps towards Pingyang, until natural laws prohibited the Koreans packing any closer.

And at last, as the night closed down, high menacing hills suddenly looked over a narrow stretch of water at me. They were the hills of Manchuria peering down on the frontier Yalu. I was mightily glad, for Korea is the saddest of all lands, and even a problem which is a tragedy ends by fatiguing one.

CHAPTER V

THE YALU ROAD INTO MANCHURIA

THE first feeling at a sight of the Yalu, are you a person to whom pen-pictures have meaning, is one of intense disappointment. Believing the accounts of correspondents whose quantities had been disturbed by their sudden removal to a world they did not completely understand, one expected, perhaps, a vast river filled with little islands, a veritable Yangtze, as it were, across which the Japanese managed to push in the face of superhuman difficulties. The crossing of the Yalu, viewed without the booming of cannon, appears no great feat of arms. If you cannot cross low down you can cross higher up; it is a river like many others in China. It is merely a question of understanding the country.

As you stand facing the historic scene, only two things immediately impress themselves: that the river is really very narrow and insignificant after the Chyŏngchyŏng in Korea, and must have seemed so to Kuroki; and that the Korean side is absolutely dominated at the crossing chosen by the Japanese by the formidable heights which crown the Manchurian bank. Later on, after you have gone over the battlefield, a third thing becomes equally clear,

which was the contention of a general fresh from South African scenes, who boldly declared that 2000 Boers occupying the Russian positions would have inflicted terrible losses on the Japanese, and have then quietly retired with but trifling damage to themselves. These three things alone remain after many minor impressions have faded, and make it certain that something much more than mere Japanese bravery, which is incontestable, achieved the startling results which surprised the world during the war.

Wiju, the terminus of the Northern Korean railway, on the Korean bank, is a town of no importance and is not imposing. It is, indeed, but a wretched hamlet, and has only benefited by the war to the extent of having a few hundred Japanese settle in it, men who owe their existence primarily either to the railway or to the sawmills; for the Korean side being flat and convenient in many places, much of the great stores of the Manchurian and Korean lumber floated down the Yalu is grounded on the left bank; and the Japanese having needed great quantities of sawn timber for their field operations, and now coveting this rich industry because they are the dominant power, have erected large sawmills. Night and day, without intermission, the shrill screeching of the steel saws echoes over the town, singing the praises of a trade supposed to be valued at a million sterling per annum; and night and day the short logs cut from the Manchurian and Korean forests are hoisted

from the water to the banks, and from thence dragged to the mills. Apart from this lumber business, Wiju has but little importance to-day, and really even no *raison d'être*.

Together with other misconceptions, one vaguely imagined that the Northern Korean railway has carried and even now carries immense quantities of military stores to the Japanese armies; that it too has been feeding the war in Manchuria to the best of its ability. Yet nothing could be more absurd. The Seoul-Wiju railway has not carried a pound of military stores; it is split into two such distinct parts by the Chyöngchyöng river at Anju that it is, from a strategical point of view, largely a railway in the air, and nothing else; and to-day it does not possess sufficient rolling stock to run more than two short trains every twenty-four hours over each section. In addition, it has been so hurriedly built, and has had such bad luck in many ways, that, if misfortune had actually attended the Manchurian armies and the Japanese fleets, causing the former to fall back on Korea and the latter to seek the safety of Japanese harbours, a very critical state of affairs would have immediately arisen. For this railway, as an insurance against retreat, would have been a broken reed to lean upon; it would have inconveniently broken down. That, at least, is the opinion of the men who built it, and who knew that they were attempting the impossible. In road-making and in railway matters the Japanese have still much to learn.

Miles and miles below Wiju are the islands where the opening tricks of the desperate game played on the frontier river a year and a half ago were scored by the Japanese. Here, again, there is nothing much to be seen except further confirmation of the fact that the Yalu trade, even with the two towns of Antung and Tatungkou, open ports, the first at the Wiju crossing, the second a dozen miles and more below, can only be carried on under grave difficulties. The narrowness and shallowness of the river, and the great rise and fall of the tides, make it impossible for coasting steamers ever to hope to do more than anchor ten or fifteen miles below Antung, and there to unload their cargoes into junks. Perhaps in the course of time, a shallow-draught and specially built type of vessel with a flat bottom may bring the Yalu trade into the prominence it doubtless deserves; but for the moment it is the heavy sea-going Chinese junk which possesses an absolute monopoly. The Japanese are doing what they can in experimenting with small coasting steamers, but the most important merchant of the place told me frankly that the difficulties were immense in the way of navigation, and that, although the markets had great possibilities if worked up, he was not very sanguine.

The crossing from Wiju to Antung is a matter of a few minutes either by launch or *sampan*, and once on the Manchurian side the extraordinary Chinese capacity for trade is immediately brought

A GUARD-HOUSE ALONG THE RAILWAY.

NEARING THE MANCHURIAN FRONTIER.

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home to one in a vivid manner by the striking contrast between the two sides of the river. Antung, unlike Wiju, is a town of respectable size even for such a country of big things as is Manchuria. The roads, kept scrupulously clean under the strict hand of the Japanese military, always on the alert for plague and other dread diseases, are broad, and scored with countless cart-ruts which run into the back-country in every direction. The houses are big; the court-yards roomy; and no sooner has daylight come than there is a bustle and a noise, a merry sound of money-making, which inform one eloquently that one is back to a world sown with ambitions which find their realisation in spot cash. Strongly indeed, and in a thousand ways, is one impressed, after this quick passing from Korea to Manchuria, with the facts that the Northern Chinese are large-minded men who like big things and who hate cramping limitations, and that immense gulfs still separate China from her Asiatic neighbours.

All this is reflected, too, in the Japanese population. Whereas Wiju and the Korean side of the river have only a few hundred of the Mikado's subjects, Antung has nearly 4000, with more coming every day. It is true that, as in Korea, much of this activity has been stimulated by the presence of the 800,000 armed men in Manchuria, and that when these vast numbers have been withdrawn, such war-settlements will enter on an entirely different phase. In a word, they will have to justify their continued existence by becoming entirely self-

supporting, and it is quite certain that a large proportion of these "colonies" will too quickly disappear, driven back by two forces they can scarcely meet—the cold of Manchuria and Chinese competition—unless special Japanese Government aid is given to them. And there is reason to believe that that aid will be forthcoming under curious forms. A demobilisation of these war-settlements would be a bitter blow to Japanese statesmen.

A single morning is sufficient to view the Yalu battle-ground; for from the top of Tiger Hill everything is spread out in front of one as on a contour-map; and then it is best to mount the Décauville railway and push on as fast as possible towards Moukden and Liaoyang. The little Décauville station is such a baby affair that it almost arouses one's laughter, for with a tiny two-foot-six gauge everything else must be on a corresponding scale. But if the station buildings are small, they are full-grown compared with the locomotives and trucks; these are so stunted that they look as if they were entirely for play and never for work. Yet work they can in an earnest enough fashion. These little locomotives, indeed, show that their strength, being mechanical, is vastly superior to mere flesh and blood. For each truck, small as it may seem, can, at a squeeze, carry three tons and more of dead-weight; and each powerful little Baldwin locomotive can haul twelve of such cars up gradients which at first sight seem impossible. And as at least eight of such trains can be despatched daily, if necessary, more than two

hundred tons of military stores can be moved forward to railhead, which is 106 miles off, every twenty-four hours. This means that a light military railway can do the work of one thousand Manchurian country carts or four thousand of the light Japanese military waggons. Nothing so demonstrates the extraordinary nature of rail-power as a mere sight of the huge quantities of military stores which this little railway has collected at its mountain terminus, Lienshankuan.

There is scant ceremony on this efficient little track, for you are already within the war-zone, and you must be prepared for all discomforts. So, building yourself a nest in a pile of rice-bags, you make ready for the worst, which in the end transpires to be not half as bad as you first imagined.

You pull out of the station rapidly and are soon climbing the heights behind Chiulienchʻeng, where the Russians, had they possessed any military ability, might have defied the Japanese for days. Soon you have left these hills behind and are smoothly running along a track which has all the solidarity and finish of a permanent way. Far better indeed is this line than the Northern Korean railway.

The country now opens up, and in the crisp morning air the teams of ponies and mules are already at work in the fields. How different from Korea! Here there are scores of fettlesome animals in every stretch of fields, animals which stand stock still, all ears and intelligence, as your miniature train whisks past. And beside them are their masters, lusty

Manchurians, looking with equally intelligent eyes on a thing which does not in the least concern or trouble them. For you are in a land where a biting winter and vast distances have set their mark on men and beasts alike. They are all upstanding and independent here, big and confident and able to meet many things without fear. These, indeed, are the keynotes of Manchuria—size, lustiness, and limitless possibilities.

Six kilometres or so from Antung—the kilometrage is easy to measure, since it is carefully stamped on every station and road-crossing—you pass Hamat'ang, the Frog-Pond, where the Russian gunners were surrounded and their pieces captured after the Yalu fight. There is nothing much to see, however, excepting a broken plain covered with swampy pools, and in the distance the Imperial highway bound to Peking—the "Mandarin Road" of the correspondents—bending away in giant curves. But the tragedy of the guns is somehow easy to understand, and it requires no great effort to see the phantoms of those big, white-tunicked gunners standing helpless, surrounded by little, nimble-footed infantrymen, whilst down the straggling highway the Russian rearguard sullenly holds off the pursuit.

From Hamat'ang you run on straight and unblinkingly towards Fenghuangch'êng, through a land every inch of which is tilled and sparsely covered with farmhouses. Ever and anon the Imperial highroad—very broad, and cut up by many cart-ruts—runs for a time parallel with the railway, and then

on it you see all the miscellaneous traffic of a country where road-transport sets every four-legged animal travelling for his master's benefit. This and the rigorous winter is why there are mainly farmhouses and not villages studded along the way. The immense quantities of grain and straw required to nourish the cattle and live stock, which alone make existence possible and profitable here, urgently demand fields of vast extent; and the bitter six months' winter imperatively necessitates every household possessing huge reserves of dry stalks for firing the *k'angs* and supplying that warmth which the elements deny. Sometimes the carts travelling this great roadway are mere local conveyances carrying grain or produce a hundred miles or so. Sometimes the huge mule and pony teams, nine animals in some cases roped to a single great cart, proclaim to those who know the signs of the road that their masters are traders from the *Pien Wai*—that is, from beyond the old Willow Palisade—meaning that they have travelled from the confines of Chihli province right down to the Yalu, thinking nothing of the five-hundred-mile round trip in their earning of big profits.

The vast majority of the Manchurian population in this corner of Fengtien province is of Shantung origin—*lao Shantung min*, as they themselves say—which have spread slowly but irresistibly over the face of the country, driving back the thin Manchu population into the mountainous districts of the Motienling and sweeping the Koreans back over

the Yalu. Crossing mainly by clumsy junk from their out-jutting promontory, this hardy Shantung race have settled everywhere in Southern Manchuria where there has been a profit to be squeezed, leaving the old Manchus undisturbed only in those rough lands where the winter is so bleak that, as the inhabitants say, the summer sun just splits two winter seasons apart. The Tatung and Antung trade is entirely in the hands of the Shantung guilds; right up to the head-waters of the Yalu they absolutely control the rich lumber trade; and on the road it is the lusty Shantung carter who chirrups to his mules in an everlasting good-humour and fixes transport rates. Astonishing indeed have been the succession of Manchurian victories gained by the people of the hardiest province of China.

You see this, too, in the intercourse between the Japanese and these new Manchurians. There is nothing of the sullen neutrality which still obtains in Korea between the two peoples; the Manchurians meet the Japanese on their own ground frankly and kindly. They even chaff the Japanese "Tommy" by putting their heads on one side as they have seen them so often do, and by pretending to think slowly with an insuck of breath when they are asked questions. They also slap the little Jap familiarly on the back and ask him in the new Chino-Japanese —the Esperanto of the war—whether his *meshi meshi yu mei yu*, that is, inferentially, "if his cooked rice has been devoured or not." "They are not bad little fellows," says the Chinaman of Manchuria

IN THE NEIGHBOURHOOD OF THE GREAT MOTIENLING.

[*Face page* 118.

THE DÉCAUVILLE MILITARY RAILWAY FROM THE YALU.

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condescendingly, "and they fight much better than we do, although they are very slow." That is what they were saying just then; now they are asking why the Japanese are delaying their departure when the war is finished.

All this you witness as you steam along on your little Décauville railway; for with rare generosity, now that the army no longer needs it in its dread business, the Japanese military authorities allow practically everybody to climb into the trains so long as there is squeezing-room to be had. Thus a motley crowd of Chinese, Japanese, army-sutlers, and men of the Last Reserve who do nominal duty on unimportant lines of communication, are always swarming in and out; and with such to be studied the time passes quickly enough until Fenghuangch'êng, the one considerable town between the Yalu and the great Liao plain, is reached.

Fenghuangch'êng, the "Phœnix City," nestles in a great hollow formed by the surrounding hills and mountains, and is enclosed within the usual Chinese city wall. During the last five miles of your journey you have been noticing a blue haze in front of you; now that you are halted in front of Fenghuangch'êng you quickly understand why this city of 20,000 inhabitants and more has arisen here. It is because, coming from the great Liao plain, which is 100 miles off, it is only here that the very rugged mountains cease and that the Imperial highroad runs through an undulating country, rough yet rich, on its way to Korea. On

the maps the *Kaolimên* (the Korean gates of the old Willow Palisade) are marked as being 10 or 12 miles to the south-east of Fenghuangch'êng. It seems to me, although all traces of this curious structure have been lost, that the *Kaolimên* must have consisted of a series of gates, as is the case with the Great Wall of China, beginning just below Fenghuangch'êng and going north into the mountains for 10 miles and more. For immediately beyond the city you begin to appreciate the admirable defences which nature gave to the undeserving Russians in these mountains, which extend for 100 miles right from the Phœnix City to Liaoyang, defences which most certainly would have allowed an enterprising and determined enemy to have crushed the head of Kuroki's advance again and again as it coiled into the mountains, as Russian bombast declared would be the case.

The little train, having dropped a few of its heaviest trucks, was now speeding as fast as it could up a steep gradient, and soon we were climbing into a wilderness of mountains and hills which cover the country absolutely without a single break until you are within four miles of the city walls of Liaoyang and you see the little Taitse river flowing past your feet. This is the terrible road Kuroki had to march along without the assistance from rail-power I was receiving. The scanty farmhouses now become more and more rare, and sometimes for miles all traces of cultivation entirely cease. In place of the rough fields, which, ever since the

Yalu, have often been climbing the very hillsides in marvellous terraces for want of better land, there is a wilderness of trees and thick undergrowth now all yellow and gold and maple-red. Little mountain streams tumble down the gullies, and overhead screech the eagle and the sparrow-hawk. Through this wild country, never for a moment dismayed, pushes the gallant little railway with true Samurai courage. Sometimes the gradients are so steep that they can only be surmounted by a painful maze of switchback curves which hoist you gradually to the top of an enormously steep incline only to let you down the other side with the baby Westinghouse brakes screaming their shrill dismay at such rude treatment. In one place you run fully five miles in serpent-like curves down a hillside in order to descend less than 1000 feet, and as you are slowly lowered you see rugged Manchuria spread in front of you in a sea of lofty hills. Sometimes, again, you glide swiftly through forest glades with the branches bending so low that you stoop apprehensively and wonder whether you can actually push through. Once we stopped for a moment to attend to a damaged coupling in such a place, and the weather-beaten Chinaman alongside of me pointed a gaunt finger towards the dense undergrowth which pushed up to the rails, muttering "*Ying p'an, ying p'an*" (an old bivouac). I scrambled hastily down, and kicking about the charred cinders and *débris* which littered the spot, discovered some battered cartridge-cases which bore the

Russian Government mark. Every mile of this road has little traces of the victorious Japanese advance and the sullen Russian retreat. There are often lines of felled trees running far up hillsides, designed too late to serve as *abattis* and *chevaux-de-frise*; there are bits of clothing; split rocks vainly chastised with shell-fire; and miles upon miles of short trenches and rifle-pits already moss-grown and difficult to trace with the eye. All these are eloquent signs that the battles which we, poor mortals, baptize as immortal, are mere fleeting things which nature justly scorns and cloaks as quickly as possible with her garments lest she be corrupted.

Thus up and down, in and out, round and about, with no boredom possible to you, the Décauville smoothly runs, making it seem as if no difficulties or obstructions could stay its progress. And yet we were rapidly approaching a range of mountains so menacing that even the dauntless railway was to become baffled. The savage Motienling, with its outlying brothers, was now only a few dozen miles off. A break-down kept us waiting hour after hour, and night had already fallen before we could move on again. With everything shrouded in darkness, and scarce a signal light anywhere, it was dangerous to run fast, and so we crept more and more slowly over the last miles of rails. I had been warned again and again not to run on to the very end of the rails, but to stop at the commissariat terminus, Lienshankuan, as at railhead there was nothing but

rails. But the warning was lost to me. I vaguely saw at one in the morning great commissariat stores with silent sentries standing near. Half asleep, it was impossible to associate these with a definite stopping-place, and I demurred; and before I could make up my mind the little train had sealed my fate by moving on again. Then, when it was too late to repine, I understood fully that I had overshot my mark, and that there was nothing to do but prepare for the worst, for I had passed the base of supplies of General Kawamura's Fifth Yalu Army during the Moukden battle, and was down to the bare rails heading vaguely towards Moukden. The distance from the Yalu terminus of the Décauville light railway to the commissariat bases of Lienshankuan is almost exactly 100 miles. Although the railway runs regular trains six miles farther on, and the rails are already laid several miles even beyond this, Lienshankuan is the important point, and will remain an important point even when the railway has reached Moukden.

During the first year of the war, 1904, the Japanese advance had to be made without the help of this light railway, which had not then been built. Kuroki, crossing the Yalu officially on the first of May, reached Fenghuangch'êng a few days later; halted a month there whilst he collected supplies; at length pushed on slowly until he had occupied all the neighbourhood of Lienshankuan; and then at the end of June, acting from this safe hiding-place among the Manchurian highlands,

suddenly jumped out on the Russians and captured, with the aid of the Takushan army, the whole of the great line of formidable passes comprised in the Fêngshui, Motien, and Taling ranges. In all this he had to rely entirely on the roads for his transport. The first big section of the Décauville, the section to Fenghuangch'êng, was only properly completed in October of the first year of the war, that is, two clear months after the First Japanese Army had issued from the hills and mountains of south-eastern Manchuria and had settled openly on the edge of the great Liao plain, as the extreme Japanese right on the Shaho line. But the lesson had not been lost; and the Japanese, ever quick to learn and profit by their experiences, had the entire equipment of this light railway on shore at Antung long before the winter of 1904-1905 closed down, and in three strenuous months —November, December, and January—added 60 miles of line to the 40 they had already properly completed. This brought the railhead to Lien-shankuan, whence one of the most important tricks of that most important battle, Moukden, was played.

It was the fall of Port Arthur that made it possible for the Japanese Headquarters Staff to evolve the gigantic strategy which resulted in Moukden. Had Port Arthur fallen only four or five weeks later than it did, Moukden might never have been fought, for Nogi's great western turning movement would have been impossible, whilst Kawamura's Fifth Army, the Yalu army,

would have been lamentably incomplete and would never have mystified Kuropatkin in the way it finally succeeded in doing. It would have been composed of but one division and some independent corps, and would therefore have been too weak.

The fall of Port Arthur and the Décauville railway, however, completely altered the situation. For whilst three of Nogi's four investing divisions were quietly tramping up the Liaotung peninsula, parallel to the Manchurian railway, preparatory to making suddenly for Hsinmingtun, one division was shipped with as much noise as possible to the Yalu. This corps proved the backbone of the Kawamura force, and caused the Russians to believe, long enough to allow of the completion of the great turning movement, that the Japanese, mindful of the weakness of their mountain turning movement at Liaoyang, had concentrated every man they could on their Yalu wings, and that it was from there that the greatest danger was to be apprehended.

By the first days of February this Fifth Army was complete — two strong divisions and some independent corps. By the middle of February every preparation had been made, and on the 19th, acting as suddenly as Kuroki had done nine months before from the Lienshankuan mountain base, Kawamura struck at one of the most powerful positions of Linievitch's Eastern army, Hsihochan. Owing to the rapidity with which he was able to develop his attack, he captured the place

within twenty-four hours. Hsihochan is but 38 miles north of the Décauville terminus, and only 30 east of the Penhsihu positions, which the enemy had retained ever since the battle of Shaho. Note, therefore, the immense advantage which this little railway automatically conferred, even before the fighting occurred on the extreme Japanese right. It relieved Kawamura of all the anxieties which had haunted Kuroki eight months before, owing to his immense and dangerous lines of communication; it allowed him to hide almost any force from observation by keeping them away from the actual front until the very last moment, and then rushing them suddenly forward to find all their supplies and necessities for weeks ready stacked all along the railway; and finally, the *spring* of the actual attack was not damaged, as was Kuroki's at Liaoyang and Nogi's in the same battle, by the existence of long railless communications behind. It is steel, and steel alone, which gives the supremely rapid spring necessary in modern warfare; and this alone made the Yalu army what it was.

By the 28th of February Kawamura was attacking Tita, which is almost parallel to Moukden itself, and far to the north-east of the lower Shaho; and then ten days later he completed his task by occupying a continuous line from the north of Moukden to Shengking, 60 miles to the east. Had Nogi only had a light railway to feed him along half his long road, Moukden might really have been a Sedan; but his men were practically

starving for two whole days. This is a fact which is but little known.

All this mountain fighting here in south-eastern Manchuria, among jagged rocks and over profound abysses, during 1905, has been almost entirely unchronicled. It is true the Mikado granted Kawamura and his army after Moukden a brief Rescript, praising them for their endurance and courage, and calling attention to their deeds; but this does not mean much to the ordinary man. Only after you have seen with your own eyes this rugged country, and the never-ending mountains, can you understand what the February fighting of 1905 must have been. For the furious combats waged between Japanese and Russians in these gloomy valleys and on mist-shrouded summits during a dread winter are only paralleled by the tremendous climax to the Peninsular War when, after Vittoria, Wellington drove Soult headlong over the Pyrenees in the depths of winter, amongst scenes of slaughter such as have been seldom witnessed.

Of all these things it was impossible for me to think when I arrived at two o'clock in the morning six miles beyond Lienshankuan. Gebato, as the Japanese have named this little place, was deep in sleep, and had nothing historical about it. I was absolutely abandoned. Stumbling forward, I made for the only light I could see; it came from a solitary railway building which flanked the rails. Somehow I had to find my way through the Manchurian

passes to Liaoyang, 46 miles farther off. It was not a prepossessing proposition, and at this early hour it was almost despairing.

Inside the railway building I did not discover that joyousness at my arrival which the popular novelist would lead the lonely wayfarer to expect as his right. There were merely three sleepy railway clerks tapping telegraph instruments in a paralytic fashion; one railway gentleman taking off his trousers, and another putting his on. The shock of my arrival had the desired effect; I had all the charm of the totally unexpected, since I was absolutely the first European who had ever travelled on this railway, and I had arrived before the news of the ratification of peace. Soon we discoursed; but it is unnecessary to disclose this momentous conversation. Not being "pre-arranged," I laboured under an immense disadvantage which no fluency could conceal. In the end, however, I was led off to the military depôt to learn what was to be my fate.

The commissariat depôt to which I was brought, and which was like all the others I saw, was an immense structure of bamboo and straw mats, with enormous raised platforms running the whole length of the building, after the manner of the Chinese *k'ang*. In it were sleeping hundreds and hundreds of men belonging to every kind of corps, and around them and on the floor were littered great masses of soldiers' impedimenta. At the very far end of this rough shelter, reading by the aid of a

Chinese rush-light, sat a non-commissioned officer. He accepted the apologies of the railway man for bringing him such a curious thing in the middle of the night, with a silent contempt which can never be acquired by anybody but an official Japanese. He consented, however, to look at my papers, although his hours of business were over, and quickly did he decide the fateful question of what I was to do. Too soon I learned. This was a railway base-depôt for collecting men falling back on the Yalu by rail; I must go on to the *Shibitai* or the *hétambo*, which is an étappen-post on the high-road. That was where I officially belonged. I must submit. Gloomily I understood what this meant; it was the system gripping at me once more and letting me know that I would have to undergo some discomfort before I was swallowed up again. To every man come all things.

I followed the railway man without enthusiasm to the door; and it was not without much parleying that I induced him to lead me to the étappen-post. It did not take long for me to understand his first hesitation.

We started briskly enough, considering the hour of the night, and in fifteen minutes' rapid walking we had left behind us any traces of civilisation there might be, and were climbing a rude and hilly path. No moon lighted our way; only a railway lamp swinging to and fro in my irate guide's hand occasionally showed me that we were surmounting difficulties of no mean nature. It was

nothing less than a mountain side up which we were going so rapidly, in order to shorten the way, and soon I understood that this was fated to be one of those charming experiences which impress themselves indelibly on the tablets of one's mind. Nominally the distance was less than a Japanese *ri*, say two and a half miles; but experience has shown me that the *ri*, being a product of a mountain-climbing people, is closely related to the Swiss *stunde*, and cannot be understood or measured by people of the plains. It was therefore many minutes, almost hours, before I saw the highroad suddenly below our feet, and scrambling down from the extraordinary level we had somehow reached, without mishap, in the thick night, I breathed again.

Once on the highroad a challenge rang out; we had reached the étappen-post. Not so easily, however, do one's troubles end. Again it was necessary for me to satisfy a non-commissioned officer as to my right of entry; and it was not until well on towards four of the morning that I could finally sleep.

These étappen- or road-posts vary in their resources and accommodation very greatly, as I soon discovered. Some have reasonably good quarters and some have very bad, the quality depending largely on the neighbourhood itself. For the procedure is simply to commandeer the best and most commodious Chinese farmhouses, where there are no official buildings, along every highroad at the specified distances which mark the étappen or stages.

Apart from being reasonably clean there is nothing very much to recommend these rough-and-ready dwellings. But every highway in the enormous area already occupied by the Japanese army—an area which, by the by, in spite of its extensiveness, only comprises one-sixth of the total area of Manchuria proper—is studded with these posts; and it is owing to them that the Japanese headquarters staff has been able to control absolutely the trade, resources, and internal traffic of the country—to know exactly what is going on—and to make Russian intelligence-work a matter of enormous difficulty.

As a recompense for the slight discomforts I had suffered, I received in the morning a quick intimation of the excellence of the system in whose charge I had at last been placed. With the coming of daylight the telephone had carried back to Lienshankuan the news of my arrival; a reply message had come through intimating that I was to be forwarded along the highroad as quickly as possible; following this a country-cart had been requisitioned by another telephone and brought from four miles off: my luggage had been fetched from the little station by a fatigue party; and two infantrymen attached to me as a road escort were sitting outside my door waiting for me to wake up. This was the system's ample apology. It was not long, therefore, before we were under way, crashing and rocking along the highroad in a country-cart, with a bumping which seemed all the more terrible

after the smooth running of the Décauville. If any further illustration were needed of the enormous advantage conferred by rail-power, I was receiving it in a striking fashion.

The highroad from this post towards Liaoyang leads through a stony and somewhat desolate country. The trees and thick undergrowth characteristic of the hill country from Fenghuangch'êng to Lienshankuan had almost entirely disappeared; and in their place were merely enormous boulders and the stubbly remains of a rough autumn crop with which the cattle are fed in winter. The highroad, seeking a way through this uncouth country, which should have been understood by Kuropatkin to be his last insurance against Liaoyang, often finds it easiest to essay the line of least resistance, which is up the sandy and stone-laden bed of some dry stream. Higher and higher we mounted, the Chinese cart road steadily climbing over all difficulties with amazing curves. Occasionally we passed the remains of a rough military road which the Japanese had attempted to make when they were forcing these passes at the beginning of the war. But alas, rain and storm, and the passage of fifteen months of time, had been sufficient to obliterate almost entirely the herculean efforts the engineers had made to construct a passable way. Only the neat little wooden bridges, fashioned just as the bridges of Japan, were still to be seen over the broader streams. From the narrower ones the Chinese had already stripped everything.

All the morning we were pushing on as fast as possible over summit after summit, with a sea of never-ending hills and mountains covering every mile of the way. All the morning, too, I asked the carter for the Motienling; where was the great and famous Motienling? Each time he assured me there was but a little way to go; and each time I waited in vain for a turning or a summit to disclose the giant range.

It was not until we had climbed an immensely high pass which slipped between the shoulders of two hills—during the ascent I had been mainly engaged in trying to prevent myself from being thrown from my seat by the terrible bumping—that the Motienling heaved in sight. The carter gave me the first information by advising me to walk, as the road would soon be bad! Jumping down, I walked forward, and soon understood why, even in Manchuria, this crossing has an evil reputation. Huge boulders fallen from above strewed the road; whilst the face of the highway itself was split by numberless fissures, sometimes a foot or two deep. The mules themselves understood that they had reached the worst spot, for with infinite cunning, born of much road-travelling in impossible places, they steadied themselves and the cart after each tremendous bump and mechanically slowed down their pace more and more until they only cautiously crawled. It was the six-*li* speed which all travellers hate. Then, as we came round a corner, the carter showed me the Motienling.

Fortunately for Manchurian travellers, the main range of the Motien mountains does not spread across the road: it only faces parallel to the passes about five miles off. The dread Motienling stands up there in a blue haze, towering higher and higher as you run your eye along its savage peaks until you realise why the Chinese named it "The Sky-Touching Range." Up its higher slopes it is green-blue with trees and dense undergrowth, in sudden contrast to the rest of the country, which is barren and strewn with boulders. Lower down it is gaunt and hungry-looking.

Along this rough way you meet hardly a soul, for the villages and farmhouses cease automatically miles below the Motien crossing. Such wayfarers as travel go in twos and threes; for even now, with the Japanese soldiery in full occupation of the country, Hunghutzu are reputed to lurk in the neighbourhood of this pass and to earn a precarious livelihood by levying *likin* on passing things. In such unsympathetic surroundings even the Chinaman, most resolute of men where the tilling of the soil is concerned, feels that no efforts of his will give an appreciable reward, and therefore stays away. Perhaps every three or four miles you pass a miserable house with broken-down doors and paperless windows and a few patches of miserable crops, proclaiming that in his odd moments the desperate owner of this wealth attempts to win something from the ungenerous soil. "Why do you stop here?" I asked one man who came out

of a wretched hovel to look at us as we passed, and whose sole possession appeared to be a donkey which brayed discordantly at our mules. "The winter traffic," he answered sullenly. "In winter, when the roads are good, there is a living to be made, that is why." Not much of a living, I should think, however, as even the cart-inns in this neighbourhood, those cart-inns which mark the stages along every highway of the Chinese Empire, are the roughest I have ever seen.

Soon we left behind us the neighbourhood where Count Keller was killed in his abortive attempt to recapture a pass that should never have been surrendered without the most desperate struggles, and pushed on as fast as possible towards Tienshuitien, the "sweet-water place." The road, although no longer as terrible as the Motien crossing, was even here sufficiently embarrassing to one seated on a cart, and it was with immense relief that I finally saw the sweet-water river winding away picturesquely down a great rift in the hills. This at least meant a short rest.

Over a Japanese wooden bridge we quickly trotted, and shortly found ourselves in a little village highly characteristic of the country. Every house was surrounded with a castellated wall to fight the robbers; and in the biggest court-yard, where the Japanese had established their road-post, I found myself suddenly in the midst of a Manchu household. Surrounded by Japanese soldiery, the women of this household all lived in perfect security,

and as I entered all were engaged on their work as if things had always been this way. Except for their dress and the fact that all the elderly women smoked rude pipes, there was but one thing to distinguish this household from any others you might meet everywhere in China; and this thing was one which concerned the least important member of the family—the baby. The cradle in which the baby lay was the true Manchu cradle of wood slung from the smoked rafters, and is one of the few things which differentiates the Manchus of Manchuria from the Chinese settlers. Such a cradle is unknown in China, and its possession by the Manchus must be traced to their consanguinity with the Gilyaks, the Goldi, and all those Tungus peoples who are separated from the Turco-Turanian stock by the smallest differences. In other words, by this small sign the Manchu proclaims himself to be originally far nearer the European than the Chinaman; and if ages ago he had only moved west instead of east, he would doubtless now be mixed unrecognisably with his cousins in the extreme south-east of Europe.

From here the road moves off in giant curves towards Liaoyang, through a country which without being picturesque is not bereft of all beauty. Soon you pass Tawan, where an ancient Chinese pagoda of the Ming dynasty is posted on the shoulder of a low hill so as to be visible for miles around. This reminds you fittingly that you are on the Imperial Highway—a fact which would undoubtedly escape

you if you derived your knowledge only from the state of the road—the path which would carry you to Peking, were you to keep steadily on. Here the ambassadors from Korea, and from the semi-savage princelings who dwelt to the north of the Fenghuangch'êng Palisade, used to pass in the old days on their way to the residence of the Son of Heaven; and, gazing with awe at this unexpected sign of Chinese culture posted so strategically that it follows the eye for tens and tens of *li* along the weary road, all these men were thus cunningly filled with an understanding of the splendour of their exalted master, and tremblingly obeyed his behests.

In and out you wind, and once more as you approach a last range of formidable mountains, the Yangtzuling, which almost joins hands with the Yushuling in the south, the country again becomes more desolate. Every mile of this road saw the Russians and the Japanese grappling with one another, and, although the former never fought as desperately as they should have done, had they realised the tremendous part Kuroki was destined to play on the edge of the Liao plain, heavy slaughter was here witnessed. Once past the Yangtzuling, which like the Motienling merely flanks the highroad miles and miles away, the country spreads out into mere barren hills of no great elevation—immense brown waves of country with gaunt boulders sticking up defiantly. Liao-yang is not far off now, and the fact is impressed on you by the sight of the remains of a second

improved road—this time one not made by the Japanese, but by the Russian sappers to save their waggons and big guns from being smashed to pieces. But so quickly do the elements blot out all earth scratchings that already there are only traces of these things. Alone the Chinese highway remains whilst all others pass away. "We do not try to keep the other roads," answered the carter somewhat contemptuously to my question, "because ours have stood the test of time and are the natural roads; these new ones are unnatural roads, which can only remain by being mended." A new light this on the Chinese cart-roads, and one which allows the traveller to understand why they are always becoming worse and worse.

And now new signs sprang up that Liaoyang was not far distant. Near the crests of many of the hills long sinuous rings circled round and round—mere tracings of a little lighter shade than the rest of the drab-coloured country. Below them the rough surface was pock-marked with holes, and sometimes split rocks showed where common shell of large calibre had burst. These were traces of Kuroki. We passed a last wave of hills and slipped through a gut, and I grinned a little in my delight. Excepting for this forty odd miles of cart-road and the Tsushima crossing I was to be the first man—the very first man in the world—to go the entire distance of 2000 miles from Tokyo to Peking by rail. For there at last was Liaoyang glittering in the distance, with its great white pagoda standing as

clear-cut as a cameo—Liaoyang, which has become world-famous because of the slaughter of tens of thousands of men. To the right of us, showing where Kuroki had crossed, the clear-flowing Taitze, not broad but deep, hurried on its way towards the town and the Liao; and everywhere in front stretched the limitless plain, flat as your hand, except for a last few excrescences—the Shoushan, to the south of the city, and the small range of hills beyond the Taitze — excrescences which largely saved the September battle of 1904 from becoming the Sedan every one too sanguinely expected.

CHAPTER VI

RAIL-POWER AND THE JAPANESE FRONT

As you canter through Liaoyang in your cart, although mules are still everywhere around you hauling at their collars, desperately engaged in the groaning work of depositing the agricultural wealth of the country for safe keeping and profit in the town, you become somehow mechanically conscious that all this has become mere byplay—this animal and man power which so few years ago was all-dominant. For near by, and far away on the great Liao plain, long lines of things, which look like little black boxes, are moving slowly but never-endingly up and down two slender ribs of steel; and constantly, without even a few minutes of intermission, comes a thin screeching to your ears—a screeching which is indeed very thin and very distant. This is the sound of the important thing which should drive all other memories away; it is the sound of that marvellous rail-power which has astonished everybody. The whole country through which you have been slowly travelling by tedious cart is simply an incubus without the railways. Once the lines have been laid, however, every-

thing takes a new aspect, and the very distances have to be reset in one's mental scheme. The rails upset and recast all points of view; they have become the reshapers of countries and of campaigns.

Nobody pays much attention to this vague calling which falls on your ears; they have all been hearing it for so many months that it has lost both novelty and the immense significance it possesses from every military point of view; for this is the voice of the really great Manchurian general, the real victor in the war, the only one who has not only completely fulfilled all expectations, but also completely defeated the most optimistic calculations of the most sanguine experts. It is the voice of the railway calling night and day that it can perform any task, no matter how stupendous, if time is only given it to gather its strength, and if its entire energies are concentrated on military work, and on military work alone. That is its message.

As you pass out of Liaoyang city itself, through one of those supplementary gates so boldly smashed through the ancient city wall by the Russians many months ago in order to make a short cut to their station town (gates now converted by Chinese officialdom, anxious about *feng-shui* of the city, into mere wicket-gates), you catch a first sight of this railway, which has monopolised everything in Manchuria. Liaoyang station, with its little Russia town of European houses and its streets of mud and dust, has grown to be a place of immense

importance for the Japanese; it has become the headquarters of the entire transport system of the army of Manchuria, and will later on be a great trade emporium. It is the railway which alone has done this; and yet, excepting for the fact that many departmental flags fly from the various buildings, and that hundreds of commissariat and army service men are walking about, there is not so very much to show or to be seen. Only when you go into the station itself do you understand that, without there being much to show, an immense, a stupendous, amount has been accomplished.

Far down the line, miles and miles away, tiny little silhouettes of trains are fading away in either direction as you look. These are the trains which were shrieking half an hour ago. Slowly they disappear, and then, with the stage to themselves for a few minutes, spare locomotives come out of their beds and move disconsolately up and down shunt-lines, only to discover that there is nothing for them to do. Presently, in the telegraph-room, the indicators begin rapping quickly—one set of signals coming from the north, and one from the south. Out on the platform, for the time being, there is nothing to be seen; only the endless Liaoyang sidings, providing room for dozens and dozens of trains, stretching away peacefully and silently for a mile in either direction. There is an air of immense exhaustion about the place, rather than one of animation, as if the work had been too great. The signalmen far down the line, coming out of their

little boxes to stretch their legs, look absurdly small, and quite unable to cope with this Gargantuan creation. The very station people have a suppressed and even depressed look, and speak almost softly, as if this was no place for conversation; it is, in all truth, a hugely silent mechanism this, designed by those Russian brains which are gifted with such boundless imagination, and cemented by a cruel war into the Japanese system.

Then, once again far down the line, tiny little silhouettes, irritating to the eye because they grow in size so slowly, begin to move. Presently the thin shrieking, falling quite dead on the air because of the immensity of the plain, which heaves away absolutely flat, far beyond the point of vision, and will give up no supporting echo—this thin shrieking begins again. And then, after fifteen or twenty minutes, a heavy rhythmic roll begins to smite your ears as the trains lumber towards you. Flop, flop, they come more and more slowly, shutting off their steam long before they are near the station, because their momentum is so great and the track so flat that even with the Westinghouse brakes closing down on the wheels, the huge string of trucks can hardly be induced to stop at the proper place.

Almost exactly on time do they arrive, the one from the north, and the other from the south; and so every ninety minutes night and day during the twenty-four hours they lumber in, always on time and always with plenty of time to spare. But

at Liaoyang there is time allowed for their waiting in the station, so as to change their locomotives and to let drop a few trucks; that means fifteen or twenty minutes off each ninety-minute interval. And then, after the twin trains have gone, you can follow them with the eye for many minutes; and very shortly after they have finally disappeared, the next two trains have taken their places on the line. So it is one continuous stream. Eighteen trains move up to the front from Dalny and Newchwang every twenty-four hours, and eighteen lumber back—thirty-six trains in all. All these trains have a minimum of thirty waggons to every locomotive, or a maximum of sixty waggons to a two-locomotive train. The Russian broad gauge, corrected to the Japanese narrow gauge by the simple process of moving one rail from the five-foot measurement to the three-foot-six mark, has now shown that Russian rails are made of admirable steel, and that the embankments are solidly built. Each Japanese supply train, composed of seven-ton trucks, thirty or more in number if there is but one locomotive, sixty or less if there are two engines, carries from 200 to 400 tons of dead-weight to the front. By this reckoning, therefore, the tonnage deposited at Changtu, the terminus, can vary between a minimum of 3600 tons to a maximum of 7200 tons a day. The maximum is never reached, the minimum is seldom very much exceeded, because, even with a terrible winter closing down on the field forces before they can be demobilised, and immense quantities of firewood,

LIAOYANG STATION.

A LONG STRING OF EMPTIES LUMBERING BACK TO DALNY.

[*Face page* 144.

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running into hundreds, if not thousands, of tons daily, being carried, the railway, with its present time-table and, comparatively speaking, limited equipment, can supply Oyama's great army with too much rather than with too little. That is the remarkable accomplishment which has to be spoken of. It is roughly calculated that a million men require a maximum of 2000 tons of food daily, allowing for special stores, and that an additional 2500 tons allows the accumulation of reserves of ammunition, clothing, equipment, and miscellaneous supplies. Five thousand tons of supplies a day, therefore, would keep a million Japanese found in everything at the front. But there are not a million Japanese at the front; at the time of the signature of peace there were about 750,000. Nor has it ever been necessary for all food-stuffs to travel up this great Manchurian railway; by a convenient construction of the meaning of neutrality, all the live-stock, principally bullocks and chickens, is daily conveyed by the Shanhaikwan railway to the Hsinmingtun terminus, whilst much perishable stuff has also travelled by the same route. From the Hsinmingtun terminus the bullocks can be driven up to the front by road, quite independently of the railway, and from adjacent Mongolia all the sheep that are needed can be had for the asking. Nor must it be forgotten that during eight months of the year the Liao river gives a third line of supply right up to Tiehling, which is only fifty miles from the front. Finally, whilst Changtu, the railway terminus

of the captured sections, is, according to the Russian railway maps, 500 versts, or 331 miles, from Dalny (the main Japanese commissariat base on the sea), it must be remembered that Newchwang is only half that distance away; and that, therefore, whilst the majority of the trains must steam up the whole of the Liaotung peninsula, a minority can come from Newchwang, switching on to the main line only at the great junction of Ta-shih-ch'iao, and thus free the lower Liaotung of too great a load.

The railway, therefore, untiringly as it would seem to work and impressive as are its great strings of trains, is not pushed to its maximum capacity, and could feed at least twice the number of Japanese troops it now supplies without being broken with overwork. For it is merely a question of rolling-stock, of powerful locomotives, of the addition of sidings at the necessary points, to raise without danger the daily number of trains from eighteen to twenty-four, and of making every one of these trains a double train, *i.e.* a fifty-five waggon, 400-ton train. Even setting apart four trains a day for the carrying of reinforcements and for service requirements, it has been calculated that 8000 tons of dead-weight could be put down at the front every day during a period of emergency for weeks at a time, whilst a regular 6000-ton rate could be unremittingly maintained.

If the Japanese can do this with a crippling narrow gauge—for the three-foot-six measurement is a military monstrosity—what cannot the Russians

do with their heaven-sent five-foot gauge, a gauge which in able hands, and with all Russia's stupendous resources in men and produce, would turn the reputed conquest by railway from a mere phrase into a speaking reality? For on a five-foot gauge even your small old-fashioned trucks, instead of bearing a paltry seven-ton load, carry fifteen, whilst the new up-to-date waggons of 60,000 pounds capacity—thirty short tons—multiply the Japanese weight-load by more than four, and make it possible for five Russian trains to do the work of twenty Japanese.

Moreover, there is no railway in the world so admirably situated as the Manchurian for military work, and this remark applies with almost equal force to the Siberian railway. The Chinese eastern line, except for a few gradients in the lower Liaotung peninsula (which is not real Manchuria but a species of Shantung, separated by a sixty-mile strip of sea from its adjacent prototype), runs through a country which is absolutely flat. Thus from Dalny to Harbin, a run of more than 600 miles, and approximately the same distance as that between Paris and Berlin, there is not a single tunnel; and from Ta-shih-ch'iao, the great Newchwang junction, to far beyond the other side of the Sungari, the line is mainly an ideal line—that is, it is as straight as a ruler. This is what is called railway perfection in the newer countries such as America and Canada which are able to afford to have straight lines, and which are yearly spending millions in so-called

betterments in order to attain this perfection. In Manchuria, and to a great extent also in Siberia, the line was perfect in this respect from the start. The builders could act exactly as they pleased.

There is another point, however, which for military authorities has a still greater significance. In Manchuria, and also to a lesser degree in Siberia, you can concentrate your energies on the railway, and devote everything towards improving its military work night and day, without having the slightest consideration for the country around you; that is, without being compelled, as you would be in a Western country, to place from time to time trains at the disposal of the public for their convenience and service. In Europe you might perhaps claim a railway, which was not exclusively a strategical line, entirely for military work for a few weeks; but you could not do it for months and for years without disorganising all the industries. In Manchuria you disorganise nothing by simply making the iron way a giant artery feeding with its life's blood an army and an army alone. In Manchuria no one has ever looked upon a railway as being part and parcel of the daily life of the people; it has always been something apart, a newcomer who has not hurt any one very much by being exclusive; and therefore the life of the country goes on just as smoothly, whilst the giant mechanism patiently and never-endingly works on to feed a war.

Silent and enormous do the Manchurian stations

look, and very deserted when those immense trains lumber out. In the old slipshod Russian days it was never so; there was always great noise and greater confusion everywhere, with anybody who liked running in and out and adding to the din. The Japanese and their system have swept away all that. The Chinese are kept at a distance. The very Russian buildings look subdued and chastened. They have taken on a new air, and fortify oneself as one may, it gives one an odd shock to see Japanese and not Russians emerging from the doors of houses built with the Czar's millions.

By special order, you may already travel up to the very front; for five of the eighteen daily supply-trains have meagre accommodation for passengers, in the shape of a single third-class carriage. The majority of trains go right up to Changtu, which is 331 miles from Dalny, and but 60 miles from Linievitch's headquarters and the Russian frontal terminus, Kung-Chu-Ling. Between Changtu and Kung-Chu-Ling the Russians stripped up the rails after the Moukden retreat, and made a great gap where there is now nothing but a bare embankment. It is almost exactly half-way between Changtu and Kung-Chu-Ling that the Russian and Japanese outposts faced one another ever since May of 1905, with hardly any forward movement except an extension of wings. And here at the front the signature of the armistice convention revealed a curious fact—a thing which every one was trying to find out in vain before the signing of peace—

namely, the extent and formation of the Japanese front. This revelation was simply that wherever the railway could reach the forces in the field with ease, there was Oyama's front to be found, and that wherever the railway could not place down its supplies so that they could be easily carried to the actual front, there the Japanese advance had lagged behind. That is to say, that to the north-west of Changtu—towards flat Mongolia—the Japanese extreme left was pushed out at least forty or fifty miles to the north-west, and extended actually into the great Mongolian steppes; but to the east of the railway, where the Japanese posts covered a hilly and mountainous country which stretches for 150 miles sheer across to the headwaters of the Yalu in the Tunghua prefecture, the extreme Japanese right, composed of part of General Kawamura's force, was left behind. In other words, the Japanese front did not face due north in one immense line—that is, did not run at right angles to the railway from due east to due west as it did before the Moukden battle; it cut the railway diagonally, in a manner which experts were inclined to say would end in the rounding-up of the whole Russian Army. You have only to mark out the points mentioned in the armistice convention carefully to understand this, and to discover that the Fifth or Yalu Army, which was a mysterious force to every military *attaché* and correspondent with the other four armies after Moukden, instead of being cunningly and secretly pushed up through the wild country to the east of

Kirin, was quietly camping only thirty miles or so to the north-east of its supply-base Fushun. That is to say, that without rails it dare not entangle itself in the rough country south of Hailungch'êng without active help from the other armies.

The first and last reason for the disposition of the Japanese forces was rail-power and rail-power alone. Any place which a railway could supply easily, because of the flatness of the country, fell into Japanese hands; any place which was cut off by ranges of hills and mountains threw such transport difficulties in the way of an advance that forward movements had to be given up.

The Japanese army, swelled to numbers never dreamt of in the beginning of the war, had to avail itself largely of the local transport—the Manchurian country-carts. So many thousands of these were employed, in addition to the ordinary Japanese army waggons, that light railways were laid to each army corps in a vain attempt to curtail the growing expenditure. On rolling plains it is easy enough to lay a light Décauville railway, but in mountainous Eastern Manchuria it is a labour of excessive difficulty.

All this was never concealed from Linievitch, as were Field Marshal Oyama's dispositions from Kuropatkin before Moukden. Linievitch's costly reconnaissances in force, pushed home until they ground against the real Japanese lines, enabled the Russian headquarters staff to have a far better idea of the Japanese strength and the actual disposition of their

forces, than had ever been the case before. For, supplementing the efforts of his scouting forces with those of an intelligence service composed of Chinese, who formed an entirely different class of people to those the Japanese had hitherto encountered in Southern Manchuria, the new Russian commander-in-chief, being an old campaigner in the Far East, understood fairly exactly the nature of the forces he had in front of him. He had, as well, an army which was at last growing superior to that of his enemy. And when you add to this the facts that beyond Tiehling nothing separates limitless Mongolia from Manchuria; that only by studding their entire left or western flank with a system of redoubts could the Japanese feel reasonably safe against rapid turning-movements and great cavalry raids; that every mile of the Japanese advance necessitated the detaching of more and more men to effect insurance against these sudden Russian descents; that the winter in Central Manchuria is at least twenty degrees colder than the winter of Southern Manchuria, the January average of Kirin province being fifty degrees of frost; and finally, that the majority of the large reinforcements reaching Marshal Oyama's force during the five months, March to August, came from Southern Japan;—with all these things noted you begin to understand something of the general position. These last two facts—the extraordinary severity of the winter and the latitudes whence the largest Japanese reinforcements were coming—must alone have made

the supreme military authorities of Japan pause. For it is now an open secret that General Grippenberg nearly won the battle of Heikautai — and would certainly have won it, had he obtained from Kuropatkin the reinforcements he urgently and vainly asked for—simply because of the inability of Japanese troops to fight and camp in the open as the Russians can do even in the depths of winter. There is now not the slightest doubt that the majority of Japanese cannot stand the extreme cold of a Manchurian winter.

Of all the vast forces at the front there has never been anything very much to be seen. For the men have been hidden away in the villages which dot the country as thickly here as in any other part of China proper, hundreds being billeted in every village and thousands in some of the small market towns. Only at Changtu station, and those immediately south of it, are there large numbers of Army Service men and transport coolies to be seen toiling at the railway. Here the huge extent of the sidings—for instance at Tiehling, where alone there is room for an army—made it necessary for the Japanese to erect only rough godowns to store their supplies. Staff houses and accommodation for enormous numbers of men were to be had in buildings dating from the Russian *régime*.

It is a long haul from the front down to Dalny, but it is a forty hours' journey which is immensely instructive because of the evacuation arrangements proceeding, and which is not uncomfortable, since for

the asking a whole empty horse-box is placed at your disposal, and in such a conveyance, with straw and blankets, anybody can comfortably camp for many days. And what a school-book it is you read as you sit at an open van-door and watch the country slip past you! You lumber through stations with their buildings still torn and battered from gunfire and small arms' discharges; with the double-headed black Russian eagles still stamped on the station-master's houses and the Japanese flag flying overhead; with the vast Chinese population along the line holding aloof from this new army and a little sullen at all the new rules and regulations which have been so carefully introduced. The stations still have their Russian names, strikingly stamped on their brickwork in thin-waisted Russian letters; whilst beneath them, the Japanese place-names are merely roughly scrawled on a piece of cheap boarding. Fully three-quarters of the super-solid but excellent station-buildings and guard-houses from Changtu to Dalny, built by the incautious but magnificently large-minded Slav, have survived their rough ordeal by fire; and out of the doorways of these buildings, which two short years ago made frameworks for burly, bearded men, now come many Japanese in their *kimono* undress. Each time you see this it gives a curious shock in spite of all your reasoning; you understand then Alsace and Lorraine, and how such wounds cannot heal.

These little Japanese, lost and out of place although they may appear in the immensity of the

Liao plain, with this great railway in their hands, are controlling everything with an iron hand. With the aid of Russia's work they have defeated Russia herself. As you steam along in the starry night, the endless succession of enormous trains you meet, each one silent and overladen with sheer dead-weight, becomes almost an obsession, a nightmare. They will never stop or change their gait, these trains; and sitting watch in hand it is in vain that you try to pick holes in their time-tables. At every station, or new crossing-station, your fellow-train meets you a little sooner or later, but always well within the imposed limit. Sometimes, to amuse you, there is a moment of doubt; you arrive easily first, slow down to a halt, and there is no fellow-train to pass. At last, you think, there is a hitch, the system is finally at fault. But wait—pant, pant, pant, almost unseen a huge train is already creeping alongside you, and because it has nearly been late, it coils off at once without stopping, revealing by its endless trucks that it carries a maximum load; yet with all its burden it can only give Oyama's armies one good meal.

Stupendous, indeed, is the work demanded in the feeding of a great field force. It has to be seen to be believed. And now that demobilisation is about to begin, the new problem has to be thought out and quickly solved as to how more than three-quarters of a million men can be moved back to the sea by rail as expeditiously as possible, and well fed. Interesting, indeed, is the solution arrived at,

although it is only the common-sense one. This is it. Along the line at five-hour intervals, a series of gigantic feeding-places has been built, each one of which is able to feed at least eight thousand men a day without a moment's delay, as train-load after train-load arrives. But when demobilisation takes place in winter, and the men arrive at these places very hungry and very cold, they must be supplied with hot food, and not merely with emergency rations of cold rice and salted vegetables. To meet this new difficulty the Japanese have set to work with characteristic energy. At the stated intervals along the line from Changtu to Dalny—intervals which are based on the demobilisation time-table—complete restaurants have gone up to the sound of much hammering and preparation. And it is worthy of note that the guiding principles were not only expedition and convenience, but also cleanliness and sanitation. Thus each military feeding station is a double restaurant, a twin restaurant whose buildings need not be used continuously but *alternately*. Each building constructed can seat 800 men comfortably at long wooden tables; and down each alley-way between the tables run miniature rails—another proof of the intrusion of rail-power into one of the most intimate things.

As soon as a train leaves a station, immediately to the north of a dining-place, the telegraph informs the cooks in ample time of the fact, so that as the men swarm from the incoming train the great iron cooking-pots are run by rail straight from the

kitchens to the tables, thus ensuring that the food is as hot as it can be and that it travels round from table to table as fast as possible. The men being hungry and cramped, are given ample time to eat and stretch their legs—an hour and a half being allowed them at each halt. As the next troop-train is due exactly two hours after its predecessor, there would not be sufficient time to clean up and air one dining-hall properly; nor could a single set of military cooks and depôt men be relied upon to perform their duties satisfactorily so rapidly and unendingly. This is where the double system has asserted its superiority. For the second train-load of 800 men are ushered into a clean, well-aired hall that has not been used for at least four hours; and whilst they are busily eating and refreshing themselves, the vacant hall is quietly prepared for the next train-load, and the cooks are arranging more tons of food at their ease.

This system might at first sight seem extravagant, were it not for the fact that when you are dealing with nearly a million men, the main considerations are expedition, smooth, unending regularity, and the strictest sanitation. For even though 6000 or 7000 men are sent home daily, the demobilisation work must continue for nearly half a year, and will throw as great a strain on all as actual mobilisation.[1] It has been roughly calculated

[1] The Japanese demobilisation has been marvellously successful. In four and a half months nearly a million men were carried home from Manchuria.

that if the Japanese army in Manchuria were spread in columns of four from Changtu to the sea, the first men would have to embark at Dalny before the last men had left Changtu—that is, there would be a continuous chain of men more than 331 miles long! This gives you some conception of modern armies—of their vastness—and of the tremendous detail work which is necessary to prevent the most costly and terrible break-downs. Yet with all their greatness, the Japanese Manchurian armies, at the time of the signature of peace, were only just passing from the stage of expeditionary forces—vast if you like—to that of a nation in arms. For it is only when six or seven per cent of a nation's entire population is in the field—two and a half millions in the case of France, and three and a half millions in the case of Germany—that you may speak of a nation in arms. Japan has not yet reached that stage; in ten years she will be able to arm almost every able-bodied man.

So busy has this railway been in getting into smooth-working order, and in accumulating reserves of supplies at the front, that the enormous staff have still to wear the railway clothes of Japan, and are not quasi-military in appearance as are the railway people in northern Korea who have done no real military work. All these railway men, and all the rolling-stock employed by Japan, are merely detached for service abroad. Under orders from the Government, men, locomotives, trucks, covered vans, and many other things have been detached not

only from the Government lines, but from every railway in Japan, to work on the Manchurian railway; and the small railway accidents which were constantly occurring in the home-country during the war, were largely due to the fact that the best men were in Manchuria, and that the remaining ones were either overworked or forced to rely upon untrained subordinates.

Once past Ta-shih-ch'iao junction, whose sidings rival those of any other station in Manchuria, the trains do not come so thickly on each other's heels as towards the north; for part of the crush is turned off to Newchwang. It is still, however, a long and weary run down to Dalny, and it is not until fifteen slow hours after you have left Ta-shih-ch'iao behind that you see the sea breaking in on the Kinchow isthmus—the warm, blue sea, to reach which the Slav has brought about his own temporary downfall. The fatal hill of Nanshan, low and unmenacing, with a rude graveyard marking the spot where hundreds of bodies were hurriedly interred, is quietly passed in the sunshine; and then in quick succession the three stations which intervene between here and Nankwanling, where the Russian defenders of Nanshan made a last stand before abandoning Dalny, are left behind. At Nankwanling the railway line bifurcates sharply, the shorter branch-line leading quickly into Dalny itself, and the longer curling away through ranges of hills to fatal Port Arthur.

Soon enough Dalny rises up, and into the famous open cut, slit through the town itself, the train runs

you to an abrupt halt. Here everything is just the same as before; nothing much has been changed except the masters. As at Liaoyang and other important transport centres, dozens of Japanese departmental flags are flying from the Russian buildings, and in the fading afternoon light you see thick columns of fatigue-parties tramping home through the streets. Column after column of these commissariat men march through the main streets bound homeward, dust-covered and weary after ten hours' unremitting work on train-loading. Mixed with them are hundreds upon hundreds of Chinese carts drawn by every kind of mule and pony, whose drivers hoarsely shout at you and demand a passage. Down at the harbour, built at such huge expense by the builders of greater Russia, whence all these workers come, the immense mountains of supplies, rudely protected by makeshift godowns, have become smaller and smaller, until there are only a few tens of thousands of tons left. For the ships have ceased coming to feed this great war, and in the harbour there are not a dozen vessels where formerly there might have been a hundred. The ships are weary, the men are weary, the very trains seem a little weary at this day's ending. The fountain-head of this stream of supplies, which has flowed for so long, is drying up, and soon the stream will flow no more. In a few weeks eighteen trains a day will no longer run north every twenty-four hours; the time-tables will be changed, and full trains will be running down from

the north packed to their maximum capacity with sturdy infantry, with short-legged cavalry, and bristling with guns. The giant, sexless mechanism will soon sink to sleep, for the struggle is over, and rail-power, donning its civilian clothes, will too readily make people forget that it has been the great and the only really glorious General of the war.

CHAPTER VII

WHY JAPAN MADE PEACE

To discuss, a year after the event, why a government made peace, and how, in order to do so, it tore itself free in a masterly manner from an *impasse*, may be deemed superfluous and even wholly unnecessary; some, indeed, might describe it in stronger terms. Yet in order to be logical and to complete our examination, it is not unnecessary to throw certain points into bold relief, and to show how this specific action fits in with the whole scheme. In the matter of the Far East clearness is a first essential.

In calmly studying the history of the struggle, from the Japanese point of view, nothing impresses one so much as the fact that the Japanese had become saturated with the German idea of making war. In this connection there is a certain faint similarity between the Austro-Prussian war of 1866 and the first idea in the recent campaign. That is to say, to put it more clearly and more truly, the Japanese acted in 1904 in a chess-moving way just as the Prussians did in 1866. The Prussian Army in 1866 consisted of nine army corps; the Japanese Army in 1904 of thirteen divisions. In each case the

national army was being submitted to an unknown test, which was made willingly and with deliberation, because in the opinion of the national advisers the time had come for striking sharp blows which would allow the country to emerge from a doubtful position into one of complete independence. In both campaigns it was impossible at the initial stages, although for entirely different reasons, to fling the whole force of the country against the enemy. In 1866 Prussia had to split up her army because she had cause to fear not only Austria and Saxony, but also other German enemies. In 1904 Japan dare not fling her whole force at once against Russia in Manchuria, because she was nervous about the command of the sea. But Prussia in 1866 was much more daring. Instead of employing 215,000 men against Austria and Saxony, 30,000 against North Germany, and 80,000 against South Germany, as the proper estimates bade her do, she decided to employ 60,000 more men against her more formidable foes, and to place scratch armies against the others. This was risking a good deal to gain a good deal. In 1904, it has now been admitted, the Japanese were far more confident of victories at sea than on land; and even at sea they were none too sanguine. It was decided by the great General Staff at Tokyo that, until the navy had disposed of or incapacitated the Russian fleet, but one army—the First Army of General Kuroki—could advance through Korea against the Russians. This in its first conception was a defensive scheme; it

became offensive after the disgraceful handling of the Port Arthur Squadron, and as soon as the Russian fleet was blockaded in Port Arthur, the offensive chess-moving began. The Russian garrison was driven into the fortress, and three great Japanese armies advanced against the main Russian position of Liaoyang. Had everything gone as had been calculated, a fourth army, Nogi's investing army, would have appeared at the psychological moment, and Liaoyang would have been either a Könnigrätz or a Sedan—call it whichever you please—and before the war had lasted six months Russia would have ceased to exist in Manchuria south of the Sungari river. In other words, the war would have been brought to a successful conclusion.

The cunctative nature of the Japanese—a quality which expressed itself very notably in their failing to make proper use of the immense advantage conferred by the Port Arthur surprise attack of the 8th of February—made a campaign such as Prussia's in 1866 impossible. Excessive caution, probably dictated by the fact that Russia's reserve strength was immense and had always to be entrenched against, delayed everything. Difficulties of land-transport soon proved very great. The line of advance from Korea to the great Liao plain was too long, and the physical difficulties to be overcome proved heart-breaking; Port Arthur was also apparently impregnable. And when many of these difficulties were being overcome, the Baltic fleet, that

strange Armada, raised a new menace by beginning to steam against Japan from a point 15,000 miles away. Instead, therefore, of there being a short and decisive campaign, as many people who understood the real conditions in Manchuria had expected, Japan's advance became slower and slower. But still the fall of Port Arthur allowed the successful battle of Moukden to be fought; the destruction of the Baltic Fleet removed all possibility of a real defeat overtaking Japan. And in the month of June 1905 came President Roosevelt's fresh invitation to the belligerents to cease their horrible warfare, which was shocking the civilised world.

The exact position at the Japanese front in Manchuria at this juncture has already been shown as clearly as possible. Stretching from a point in Mongolia—that is west of the theoretical boundary-line of Manchuria—five great Japanese armies, numbering at the date of the conclusion of peace upwards of three-quarters of a million men, were opposed to an approximately equal number of Russians. The extreme left of the Japanese positions was swung far in advance of the extreme right, just as in the battle of Liaoyang the extreme right had been far in advance of the extreme left. The reason for this, as has already been noted, was largely owing to the extremely difficult nature of the country in which General Kawamura's Fifth or Yalu Army found itself. The hilly and mountainous nature of the districts immediately south of Hailungch'êng made transport difficulties immense, for whereas light

military railways could be laid down in the Changtu districts, cart transport was the only method available in the country north of Fushun. Fushun, then, which had been General Kuropatkin's centre in the battle of Moukden, was in the month of August, *i.e.* nearly half a year later, still the great supply-base for Kawamura's main force. The Russian force holding Hailungch'êng was in latitudes far south of the Japanese extreme left wing. The position was thus very curious.

During the months which elapsed after the battle of Moukden, immense efforts had been made by the Japanese to concentrate great masses of stores and munitions of war at the front. The working of the railway as far north as Changtu, and the arrival of eighteen trains a day, had allowed this to be finally accomplished. It is stated that these battle preparations exceeded anything hitherto attempted at any time. Enormous masses of warlike provisions choked the store-houses and supply-bases, and Japan was therefore as ready as human forethought could make her. In other words, she was putting forth her maximum strength.

The position in Northern Korea had likewise changed. After allowing marauding Cossacks to gallop down from the Russian Tiumen bases almost unchecked for many months, the calling out of large numbers of men of the Second Reserve, and of the hitherto untrained supernumerary classes of recruits, had allowed a respectable Japanese army to be gathered in Northern Korea, whose advertised

purpose was to advance on the Tiumen and to cross that frontier river. The strength of this army has never been disclosed, but it is believed to have approximated three divisions. In Saghalien a strong Japanese force, largely drawn from the Formosa garrison, had succeeded in driving out or capturing the Russian garrison. From the confines of Mongolia to Saghalien, Japan was therefore strongly entrenched, and possessed, according to the best information, a force equivalent to forty divisions, or say a million men, in the field.

The acceptance by the Czar of President Roosevelt's invitation to send Plenipotentiaries to meet the Plenipotentiaries of Japan, completed Japan's satisfaction and made the Press of the world resound with praise for a clever country which had accomplished such noteworthy results. It was too soon believed that this array of armed strength was practically invincible. Although a polite form was being used, it seemed plainly apparent to the ordinary man that Russia, as unfortunate on the battlefield as in the conduct of her home affairs, was suing for peace. The Japanese Press outlined the crushing terms which would be demanded, and men understood that the hour of victory had arrived.

Unfortunately, the public had not yet had occasion to peruse accounts which showed the entirely new situation at the front, and the manner in which Russia, thanks to the extraordinary efforts she had made, had succeeded in massing fresh armies in positions just as strong as those held at

Liaoyang and Moukden. Further, the nature of suppressed telegrams from the front was unknown to the world, although known to the British Government; and likewise (since it is opportune to insert them here), the world would have read with surprise the following statistics, recently drawn up by Dr. Koike Masano, Chief Surgeon of the Japanese Army:—

JAPANESE CASUALTIES IN THE LATE WAR.

Total casualties	632,690
Casualties at the front . . .	457,305
Number of men wounded . .	260,812
Deaths from wounds . . .	47,387
Number of men wounded who subsequently recovered . . .	173,425
Cases of disease	236,223
Number of recoveries from illness .	209,065
Cases of disease among troops at home and in Formosa . .	107,850

The number of persons of all ranks engaged in attendance on the sick and wounded was 10,170. No count was kept of the men killed outright.

(*N.B.*—These last numbered about 50,000.)

This little table, indeed, tells it own tale very eloquently, if brusquely. The Japanese losses had been enormous in spite of all the victories, and the immediate prospect at the front was that further fighting in the nature of a grand battle all along the line would entail an approximate loss of an additional 100,000 men. Also, in spite of all

efforts to conceal the fact, acute observers at the front had already decided that the reports of the battle of Moukden had been exaggerated, and that the victory had been far less complete than was generally understood to be the case. By June, indeed, the Russian armies south of the Sungari had been brought to the same strength as they had been before Moukden: by August these numbers were in a fair way towards being doubled. Vladivostock had also been transformed into a mighty place of arms, and a combined garrison and field force, amounting to 80,000 men, was assembled in its vicinity. That was the position.

It may be said, then, that things had materially altered without the public being fully aware of it; and with matters in this condition the Japanese Plenipotentiaries sailed for Portsmouth. It is undoubtedly a fact that although the Japanese Government was fully informed regarding the new Russian position at the front, their information regarding the feelings of the Czar and his advisers was singularly defective. Too much importance had begun to be attached to the fact that Russia was in a revolutionary condition, and that therefore she would be found in a yielding mood. That Japan hoped to have all her terms accepted, is not for a moment to be assumed; that she expected to do better than she did, is undoubted.

The resolute attitude which the Czar's Plenipotentiaries assumed long before they had met the Japanese Envoys; the publication of absolute

statements that no indemnity would be paid under any circumstances; and Count de Witte's declaration that he was only a messenger of the Czar despatched to ascertain the terms under which Japan would propose peace, completed the dissatisfaction of the Japanese Government, and forced the Mikado's advisers to realise that the war could now only have a peculiar termination. The negotiations which had been begun with the British Government in the early days of July for a renewal of the Anglo-Japanese Alliance on a more solid basis, hourly assumed, therefore, a more important aspect. It was essential that Japan should have her line of campaign guaranteed; that she should be able to formulate a definite course of action which would expose her to no disasters in the near future; that she should be satisfied that it would be wiser to allow the immense preparations which she had made to be peacefully undone rather than to test them in terrible conflicts. On England, therefore, everything hinged. Any agreements made at Portsmouth would be simply annexures to a British treaty. If England had refused to renew the Alliance on its present terms, Japan would have been forced to continue the war or would have laid down arms only to be exposed to the danger of having to take them up again at a moment's notice.

Fortunately for Japan, the real position at the front was well understood privately in Downing Street. So far from underestimating the Russian strength in Manchuria, there is reason to believe that it was

actually overestimated—that is, that its immediate offensive quality was overestimated. In such circumstances it was undoubtedly difficult not to enter into the present Anglo-Japanese agreement. The fear that Russia might take her revenge in Central Asia, and ultimately in India, added another reason which hastened the signing a document containing the most sweeping clauses. Thus while the Russian and Japanese Plenipotentiaries were beginning their work at Portsmouth, the conditions of what is in its larger aspect merely a truce had already been settled in London.

Henceforth it became, with the Japanese, really a question of secrecy and of cold impassiveness. The manner in which their demands were divided up by the Russian Plenipotentiaries — a course which was consented to without demur—showed that some artfulness was displayed in the matter, and that in Baron Komura the Emperor of Japan possessed a diplomat of promise. The *dénouement* was kept back until the very last moment. And it is not to be doubted for a moment that had the Russians shown the same iron resolve over the question of Saghalien as over the question of an indemnity, the island would to-day still be all Russian territory, and would not be divided into two parts at the fiftieth parallel, as it now is. This, however, is by the way.

The great Japanese Council of War which, whilst the Portsmouth Conference was proceeding, was held at the front with the utmost secrecy, under

the presidency of Field-Marshal Marquis Yamagata, who left Tokyo especially for that object, was not so much to obtain the opinions of the Army Chiefs as to satisfy them that a halt, if immediately called, would ultimately benefit the whole nation more than a heroic conflict fought out to the bitter end. It is stated that all the Generals at the front summoned to this momentous August Conference concurred in this opinion, with one exception. It is shrewdly suspected that the dissentient was General Count Nodzu, Commander of the Fourth Army, since made a Field-Marshal. It was this General who had urged the immediate attack on Liaoyang at the end of August 1904, and whose fieryness probably saved the Japanese army from the check which might have come had there been a delay pending the arrival of reinforcements. The Yamagata Council of War agreed that the position had become very difficult owing to the immense front covered by the hostile armies and the greatly increased length of the Japanese lines of communication. Japan had made war in the first instance because she had believed that her development would be seriously checked unless she acted promptly; and although it had been a very popular war with the people, it is not to be doubted that Japan's leaders would have very much preferred to postpone such a crucial test for several years to come. That this is so is clearly proved by the *ante-bellum* negotiations of 1903-1904, when Japan showed herself willing to allow Russia to remain

both a military and a naval danger to her in the Far East, so long as Korea was not tampered with.

All these things were clearly understood, and therefore machine-made warfare was succeeded by a machine-made peace which gave Japan every facility to entrench in the territories which had fallen under her control and to prosecute schemes already long settled on. It was necessary, therefore, abruptly to change the whole position. It was, however, not until the terms of peace had been arranged at Washington that the following Convention was drawn up by the Japanese and Russian Military Commissioners appointed for that purpose at the front, showing to the public for the first time the approximate position of the hostile armies. It proved that Russia and Japan had been placed on equal terms in Manchuria by the lapse of time.

EVACUATION CONVENTION.

1. By the 31st of December 1905 the Japanese troops are to withdraw from their advanced posts within the lines of Fakumum, Kinkiatung, Changtu, Weiyuanpaumun, and Fushun. The Russians, by the same date, are to withdraw within the lines of Itungchou, Yeholing, Weitszkao, Pamiencheng, and Shanching-tze.

2. By the 1st of June 1906 the Japanese will draw from Fakumum, Tiehling, Fushun, and the regions immediately south of them; and the Russians will withdraw from Shangching-tze, Kunchuling station, Itungchou, and the regions immediately north of them.

3. By the 1st of August 1906 the Japanese will retire from Hsinmingtun, Moukden, Fushun, and the districts immediately south of them; and the Russians, from Sankiatun, Changchun, Palipao, and the regions immediately north of them.

Proceeding in the above order, the two armies will withdraw so as not to leave more than 250,000 men each in Manchuria after the 15th of April 1906, and not more than 75,000 each after the 15th of October 1906; and the high contracting parties agree that by the 15th of April 1907 each shall have withdrawn the whole of its forces. But it is provided that, as laid down in the Portsmouth Treaty, 15 men per kilometre of railway may be retained as railway guards.

Sweeping from the roads leading into Eastern Mongolia, the Japanese front stretched from left to right almost due south-east, the extreme left wing being far extended to the north-west, whilst the right wing was lost in the mountains of the Southern Kirin province. Even had their usual extraordinary success attended the Japanese arms, experts have calculated that it would have meant huge expenditure of 1500 million yen for one year's more war. So Japan made peace, defeated every one's expectations, and began her new movement. It is undoubtedly one of the most remarkable peaces ever made. Presently an examination of the general Japanese position will be attempted. With Russia driven from the seas and shut off from China proper, and the British Alliance securing Japan absolutely, rapid progress has already been made in certain directions, a progress which fills many people in the Far

East with some alarm. Japan made peace, from her own point of view, with consummate skill. A deadlock had almost arisen on the battlefields, and hardly any one had suspected it. Had the populace of Tokyo known as much as it doubtless knows now, there would never have been any riots.

CHAPTER VIII

A LAST LOOK AT PORT ARTHUR AND THE STOESSEL SURRENDER

PORT ARTHUR!

We had journeyed there in a slow, halting manner, as if the train had been dead-marching, knowing full well, although mechanical, that its terminus was a huge cemetery, the grave of many reputations and of countless dead. All along this forty-mile road from Dalny, the Chinese peasant children had waited at the wayside stations, as usual, to secure largesse from the soldiery in the train. "O soldiers," they had cried in the new Chino-Japanese which has so quickly made the Russo-Chinese of but two short years ago a forgotten thing—"O soldiers, give us food." The sturdy Japanese infantrymen of the field armies, and the bearded, forty-year-old men of the last reserves, who crowded the train, had laughed after their wont, and then, generous to a fault, had dropped sweetmeats and small packets of rice and many other things from the windows until every outstretched hand clutched as much as it could hold. From Nankuanling, the junction a few miles from

beyond Dalny, whence you can see De Witte's vain creation glittering far away in the sun, these little wistful faces had commenced; and at every halt along the iron way leading to Port Arthur there were always other children. For only one daily train journeys to the fallen fortress, now that it has no more significance; and this being well known to the people of the hard and ungenerous soil of Lower Liaotung, their children make a daily pilgrimage from the surrounding country in order to reap a volunteer crop. There is something curious and almost disconcerting in this population, which, though lately swept for months with shot and shell and rudely shown that it is of no importance in the nominal mastery of the country, is yet so virile and so life-clinging that it secretly dominates everything; plucks the maximum possible from everything that has anything to give; digs and delves, callous and indifferent to all these alarums and excursions which for a short time seemed so important; flowing on verily like the brook—for ever. For seven years the Russians were their nominal masters; now perhaps for seven more years, or for seventeen, or even for seventy, the Japanese will be there. Then they too must go, infallibly, inevitably. Is it fated that this Chinese nation, which has endured so much for four thousand years, will see us all fade and wither away whilst it alone remains, tilling the soil and levying *likin* on all passing things? Is it this supreme soil-clinging quality of the Chinese population, springing

from an archaic communistic-patriarchal idea, which renders it more enduring than any other?

As the train slowly moves onward, taking its four hours to cover less than two-score miles, each phase of the Japanese investment and siege of Port Arthur, directed from the heaven-sent base of Dalny, rises up before you. Soon after leaving Nankuanling there are evidence of small fights between Russian and Japanese outposts; then the first line of the Russian outworks, the Chien-shan, Wai-tun-shan, Hsiao-p'ing-tao line, shows itself 15 miles or more from Port Arthur in the long sinuous trenches which creep round barren hills, and in the torn faces of abandoned positions. Onward you go more and more slowly, until far to the west, as the track swerves violently, you see the blue sea suddenly sparkling in a deep inlet. This is Louisa Bay—the inlet just to the north of Pigeon Bay, from which it is only separated by a rugged promontory of hills.

You have not much time, however, to look at this beautiful blue water—doubly blue to the eyes because of the eternal ochre colour of Chinese anchorages—for now you are but a mile or two away from a grim eminence whose savage look speaks eloquently of war. It is Wolf Mountain, the key to the second line of outworks, captured by the Japanese at the end of July. And from here onward your eyes have indeed neither time nor quickness to seize each well-known mark, both to the right and to the left, for you are now well within

the shell-racked area. The rough stone buildings of the Manchurian Railway guards, and the scant railway outhouses, remain here exactly as they were left when the intensity of the Japanese fire and the violence of their attacking columns drove the defenders within the main *enceinte*. Some of these outpost houses are roofless and gaunt-looking; others, although not consumed by fire, are ploughed with shot and shell, and look as if they had been grimly splashed with the signs of war; yet others stand practically unharmed—curious proofs that you may come through the most terrible experiences unscathed, if it is so fated by Divine Providence.

These, however, are only little houses along the railway track, far beyond the main *enceinte*; and the low hills just beyond them are those which sheltered some of the Japanese heavy howitzer batteries. Then, as you look, the track takes a sudden bend again, and there, right in front of you, are the famous forts, and just beyond the Shuishiying and the Kuropatkin lunettes.

The railway now runs right under the very brow of the great Sung-Shu-shan fort, swerving abruptly into the pass through which the Russians always desired an attack to be delivered. It was here that General Nakamura, made desperate by the long defence, led the forlorn hope of two thousand picked swordsmen in November which so ignominiously failed. But coming in slowly by rail it is easy to understand how this General, new to the siege, became possessed of such an idea.

For at this point, at the base of the Sung-Shu-shan fort, where the network of Japanese trenches was being run as early as August, you can see the tail of white Port Arthur houses which mark where the tide runs at high water into a sort of creek. It is merely this creek and a pair of encroaching hills which divide the towns of old and new Port Arthur. It is so close that you cannot believe that it was unattainable. Yet it was. For on the other side of this valley of death are the impregnable Itzu-shan, Antzu-shan, and Hsiao-Antzu-shan forts—a perfectly knitted chain of rugged heights rising nearly 500 feet above the plain, and dominating not only the country to the due north but also everything on every side for thousands of yards around. It was these forts which the Japanese never succeeded in approaching. Even when the surrender took place they were just as defiant as ever.

But the race-course, and, above all, the parade ground, where Viceroy Admiral Alexeieff held his last famous review of defiance in the October before the war—at the time of the final evacuation period which was never kept—where have they gone? They should be here, right behind the gap in the hills which form the chain of the main *enceinte.* Alas, they too have disappeared; and wonder of wonders, a Chinese village has been built on the largest corner of this flat stretch of ground; Chinese agriculturists have already busily laid out little plots on which they do market-gardening;

THE EFFECTS OF DYNAMITE ON ERH-LUNG-SHAN FORT.

[*Face page* 180.

THE RUINED GALLERIES AND CAPONIERES OF SUNG-SHU-SHAN FORT.

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the land is being ploughed up, and Chinese traders are stacking in vacant corners all the *débris* having a market value which they can find. Think of it; but nine and a half months have passed since the last shots were fired in this world-shaking siege, and without surprise and without concern the Chinaman has already built his hovels on the most eligible sites and is already tilling the very battle-ground.

With a start you realise that you have slipped through the railway defile; that the train is pulling up; that you are in the town of Port Arthur itself; that there is the harbour before you, the remains of all the ships, the narrow entrance, Golden Hill, the Tiger's Tail, the frowning heights of Laoti-shan. Nothing has changed even in the slightest detail; it is the one and only Port Arthur.

The very station is the same dirty, noisy place—a wretched station in all truth, just managing to clutch on to a narrow strip of flat ground beneath Quail Hill, thus saving itself from the ignominious fate of falling into the shallow waters of the harbour. But you may not dismount or open your carriage door now, as you could in the old days, no matter whether you were then an alleged spy or not. Vigilant Japanese gendarmes are marching up and down the platform and looking searchingly at every one. It is the eternal Japanese machine once more expressing itself, and there is to-day in Port Arthur the same strict surveillance, the same iron discipline, as during the first days after

the surrender. It is absurd, of course, but it is Japanese.

At last a signal is given, the carriage doors are flung open, and the military-civilian crowd streams through to the waiting-room in Indian file. Here each and every man's ticket and papers are inspected; and this inspection extends not only to private soldiers, but to every officer who may have been in the train. This is a new aspect of the many-sided Japanese system, and one which clearly shows that it is no respecter of persons.

Once outside the station there is also the same crowd of drosckies and ricshas as of yore; but now the drivers are Chinese clad in stolen Russian military overcoats and proud in the possession of military top-boots. With Russian shouts, too, they invite you to jump in, and no sooner have you seated yourself than they are off in the harum-scarum but clever fashion which makes the Russian one of the most brilliant horse-masters in the world.

But before you have gone very far, you stop with a sudden jerk which throws your weedy Siberian horses on their haunches. You are at the police-office, and your pass must be *viséd* before you can proceed—surely the Japanese system has only just learned this trick from the Russian? Then you are off again to the town étappen-post, and thinking of this military name makes you for a moment forget your Russian environment. But you pull up in less than two minutes on the little

Port Arthur *bund*, and Saratoff's, the world-famed restaurant, where so many thousands once changed hands, is in front of you. It is then that you discover that Saratoff's, doubtless for its sins, has become the staid Japanese étappen-post, and that where you have listened to a Bohemian string band and eaten zakouskas and drunk vodkas without number, to the accompaniment of a fearful din of voices, you shall now encamp by invitation of the victor. It is indeed a sober Japanese military hotel, with but a little Japanese sign above.

And yet nothing inside is changed. The little green-painted glass verandah has the same curious scent, the unforgettable Port Arthur smell of top-boots and dry dust—a vague odour of Slavism. The buffet has the same mighty row of bottles, which do not diminish because they are now used only for ornament; the rough billiard-room, reeking of the camp, with its flapping wall-papers pushed aside by inquisitive and fearless rats, has the same Odessa billiard-tables, furnished with billiard balls the size of cannon balls; the Chinese servants have still those curious manners of the untamed which arose because of Russian familiarity; it is all unaltered.

And your very tiffin is cooked by the same Chinese cooks, although there is now no vodka and no zakouska. No vodka and no zakouska at Saratoff's, no matter who is the owner! It is impossible. So I strode to the buffet, searched diligently, and presently brought to light a forgotten

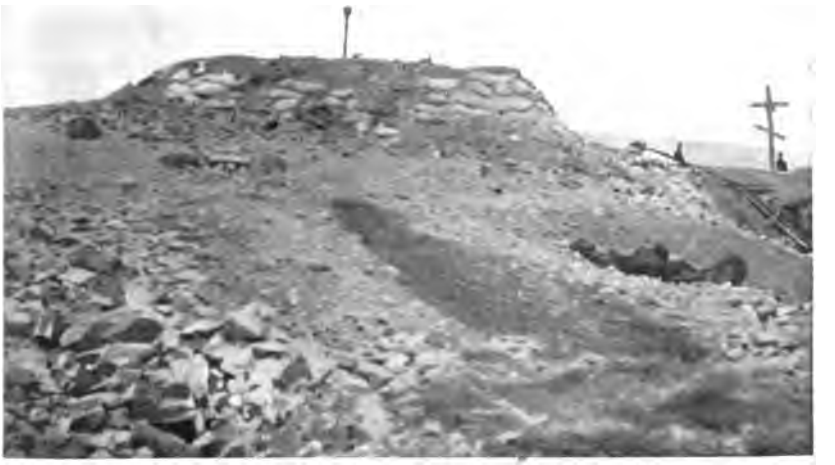
tin of caviar, some pickled herring, and some alleged sardines. But search as I could there was no vodka, absolutely none. Was it then true that the garrison, faithful in one thing to its colours, had looted and drunk every bottle of this delectable spirit before permitting any surrender? It was not to be believed; and picking up my hat, I hastened up the street to one of those little green-painted kiosks, where, since the beginning of the European life in Port Arthur, Chinese have sold all manner of things to drink and to smoke. Yes, even these kiosks were still there. So, "Vodka"—I implored in the old Russo-Chinese. At those words the Chinamen within stared at me with wide-open eyes, and nudged one another with curious smiles. Who was this speaking in the language of nine and a half months ago? Was this a new invasion? Then I fell abruptly into the clean vernacular and cursed them broadly; I must have it at all costs—how much, and finish with all bargaining. "There is none to be had," said one Chinaman slowly, whilst the other bent down and started hammering at a box; "the Japanese have forbidden it." Then he relented as his companion gave a grunt, and said sadly, "There is just one bottle more." I paid the exorbitant price gladly enough, and strode away. Then seating myself once more at old Saratoff's, I performed all the proper rites in memory of the departed by emptying the bottle with an ardent prayer to the great god Nichevo and to brave Kondrachenko. It was then time to explore.

Seated in a two-horsed drosckie, with an old string of bells jangling as your Chinese driver flogs his way along, you pass rapidly over the railway-track, skirting the edge of the harbour, until you are on the roads of the new town, and old Port Arthur is left far behind. Soon you have passed the magnificent new hotel completed just before the war, and still adorned with the red crosses which proclaim that it was a great hospital during the siege; and then, in a few minutes, you are threading the finished streets of the new town itself. Everything here is silent and deserted. The buildings, many of which were caught by the war-storm before they were even completed, have still much scaffolding around them; and everywhere the great red cross, painted in huge stripes on the white walls, follows your eye. Past the Nicobadzu you go—the rotunda restaurant which was the meeting-place for all that was gay in Port Arthur twenty months ago, and which now the Japanese, with almost painful imitation, have converted into a tea-house. Up this street there is a little more animation than elsewhere, for a battalion of infantry is quartered somewhere near, and the men, having nothing much to do, are pleased to promenade abroad. Then, with fast driving, you push quickly over the rising ground behind the new town, and in very few moments you have left the civilian neighbourhood behind.

In the hilly country in which you now find yourself the military road still clearly runs; for everywhere round the huge Port Arthur *enceinte* there are good

highways on which it is possible to drive right up to every fort. A mile beyond the new town you come on ruined cavalry quarters — buildings all smashed to pieces by shell-fire. Then, as the road winds always upwards through a narrow valley, you pass ever and anon the remains of small Chinese hamlets partially destroyed by shell-fire, but already half rebuilt and half reoccupied. The shell-marks on the flanks of the low hills about you are, however, surprisingly few; and those you see, instead of being great holes torn jaggedly into the hard soil, are mere scars at most eight or ten inches deep and a foot or two long. It is a rather unimportant area, however, through which you are passing, and the projectiles which have pitched here have been a mere few thousands which have overflown their marks, or perhaps fallen short. Higher and higher the road steadily mounts, and the Chinese driver calls more and more frequently on his lank steeds to exert themselves.

Then suddenly over a last fold in the hills you see the famous height—203-Metre Hill. It is not very high, although called High Hill by the Russians; but its first aspect has something sinister and deserted, something which seems to explain why neither force could ever hold it properly, or fortify it impregnably. It rises more as a long gaunt barrier—a little higher than the surrounding hills—a barrier separating invaders from a sight of the sea and the harbour, than as a high eminence commanding everything else. But it is one of the



THE SUMMIT OF 203-METRE HILL.

[*Face page* 186.

VIEW OF PORT ARTHUR FROM THE SUMMIT OF 203-METRE HILL AT THE EXACT SPOT WHERE THE JAPANESE OBSERVATION POSTS WERE ESTABLISHED.

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most deceptive and curious heights in the world in relation to the chain of hills around it. Volumes alone might be written about its uses and abuses. Spend a day or two round this hill of hills, and you understand faintly why the Russians made the mistake they did. But that this was a shell-racked and fiercely contested area is now clearly to be seen. All the hillsides are covered with broken rocks; the road is still encumbered with gravel *débris* thrown down by shell-bursts on the adjacent slopes; great bomb-proof shelters, with narrow, strongly timbered entrances leading into the reverse sides of hills, can be picked out again and again; thin-waisted trenches, with the crumbling remains of sandbags lining their faces, circle in and around; and in the rude gullies worn into the hills by the action of rain there are ample proofs that many men have at times sought shelter there from the hail of fire. So rude does the road now become that at the base of the hill the Chinese driver points to his exhausted horses and suggests a halt. It is meet that this pilgrimage should be concluded on foot; on foot, therefore, we toil on.

Half-way up 203-Metre Hill, if you stop, turn round and face towards Port Arthur; the bewildered feeling once more overcomes you—the whole thing is indeed a Chinese puzzle and nothing else. For the proportions and measurements which you had carefully fixed in your mind, and even sketched as accurately as possible, have already been disturbed and thrown completely out of focus. The hills to

the south-west, for instance—that is, towards the Pigeon Bay side—which being nearest seemed absolutely dominated by this eminence, are not now so dominated; at least one powerful fort, standing sullenly and powerfully alone, has such reserves of hills and great folds in the earth around it, that there is wonderful shelter to be had even from a direct fire from here. You feel instinctively that in twelve hours any men in that fort would become absolutely callous in their thick cement galleries to even this close bombardment; nor could an assault be delivered on them in such a manner as to take them by surprise, for once an attacking force surrenders the advantage of Metre Hill by descending or coming round its base, it is spread out below these other western hills and caught in untenable positions.

Scrambling up the hard, unyielding pathways, the iron nature of this fortress soil impresses you more and more. It is the rudest and most suitable material you could find for entrenched positions, and even 11-inch shells, flung with a terrible 500-pound charge of explosives, do damage utterly out of proportion to their huge cost and size. Three-quarters of the way up are the lowest of the series of trenches where the Russian infantry lay in safety for months, awaiting the Japanese assaults. Then, at last, a winding path carries you steeply up to the broad cone of the hill, and here, amid the torn remains of sandbags and huge masses of iron and steel splinters, is a grim sight. A series of

little mounds line this pathway—sometimes with small slabs of broken rock to mark them, sometimes with nothing at all to distinguish them. It is a graveyard dug by the defenders as the shell-bursts blew their comrades to pieces. All the way up to the very summit of the hill these graves continue, becoming more and more frequent, and then on the very summit is a great Greek Cross, with smaller Crosses standing round in irregular order. But the *débris* and ruins, who could picture them! For hundreds of feet along the crest of this hill, the flatness to which everything is beaten is appalling. There are no ruined semi-permanent fortifications such as one might expect; no traces of gun positions; no trenches, no bomb-proofs, no galleries—nothing. For thousands and tens of thousands of square feet there are simply splinters of rocks and splashes of soil powdered very often finer than macadam and probably many feet deep. The remains of anchor-chains, of steel railway rails, of boiler-plates, of myriads of sandbags fashioned of every kind of stuff, of a hundred things girded round the hill in a vain attempt to hold it for ever for Holy Russia, are there—but only as suggestions and not as actualities. For they, too, are all powdered fine; and mixed with them and the countless shell splinters are cruel things, such as bits of top-boots, a torn pocket-book, and also many brass buttons which once rose and fell with the fast beating of anxious hearts. Then in the very middle—in the central spot of all this—some loving hands have piled high a great mound

of sandbags, such as primitive man made to mark his dead, and beneath which crumble countless Russian bodies. Near by watches the great Greek Cross, and by the bigger Cross the smaller Crosses, in pitiful silence. Whoever thought, when this mystic symbol first arose, that one day it would be sadly planted on a commanding height, nineteen centuries later, in clear sight of the Yellow Seas, to mark the spot where Asia vanquished Europe?

The Yellow Seas? Yes, turn round and tear your eyes from the fatal hill itself and look how the sea, the harbour, and the new town of Port Arthur are all clearly visible from here. You see everything from the top of this hill—everything excepting the old town of Port Arthur and the naval basin, which crouch hidden under the folds of Quail Hill. The Tiger's Tail, whisking out angrily into the narrow harbour, is as clear cut (though it is 8000 metres off) as if it were distant but a mile; Golden Hill, upstanding so proudly a thousand yards beyond this, seems hardly as far; the white houses of the new town, but three miles off, are plainly at the mercy of the possessor of this hill—indeed the whole country from here is but a contour-map which you may prick to fragments with your shell-bursts as you please. That is the first impression of the amateur.

But turn a little and look more closely at the fortified *enceinte* far out there to the east—the ring of hills which stretch away until they are lost and become hidden just under the heights of Taku-shan —and you know that the value of Metre Hill has

THE SIEGE OF PORT ARTHUR : A SHELL EXPLODING IN THE NAVAL BASIN.

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been overrated, and that it effected far less towards the surrender of Port Arthur than the desperate manner in which the Japanese clung to the counter-scarps of the line of forts just east of the railway pass, the Sung-Shu-shan, Erh-Lung-shan forts, and their brothers. Even the possession of Metre Hill by the Japanese did not bring about the sinking of the remains of the Russian fleet by directing the indirect 11-inch howitzer fire, as the telegrams said. Not a single Russian ship in the harbour was sunk by gunfire, and it is even doubtful whether such a thing was possible. For an indirect bombardment could not burst holes in the armoured sides of the war-vessels, or injure them on the water-line, excepting by a miracle; such shells dropped on the decks and superstructures, and even then did very little damage, comparatively speaking, owing to the fact that briquettes and coal-bags were piled many feet deep. The Russian war-ships were sunk by the Russians themselves, as in the case of the cruiser *Rurik*, by opening the Kingston valves; not a single ship was damaged by Japanese gunfire to such an extent that she could not have steamed all the way home to Russia.

Down the northern slopes of Metre Hill, round which the Japanese clambered to possess themselves of the summit, are the remains of lines of Russian trenches. There are but few traces of the Japanese advance, except in the mounds which show where skulls and bones now crumble. Far away in the distance you see other trenches, and beyond these

the low ranges of hills which protected bombarding batteries. But these seem to have no intimate connection with Metre Hill; they are part of a general scheme specialised against this area when the menace of the Baltic fleet became too acute. It is indeed a perplexing fortress.

Soon you are again in the new town, and from the windows of the tallest building, looking back at the line of hills, you find that Metre Hill is like the greatest height in the inset of an elementary atlas—the inset which shows the comparative heights of all the mountains of the world by a series of jagged points. This Mount Everest of Port Arthur just shows itself above the other hills; it is a look-out post, that is all, and has many limitations. But night is already settling down, and from the Nicobadzu, where twenty months ago arose the strains of military bands, now come the twangs of the *samisen* and the shrill voices of *geisha* and *mikoshi*. There is no time for more sight-seeing.

Early morning comes in Port Arthur—as it nearly always comes on the clear and brilliant coast-line of North China — with bright sunshine flooding everything and with the blue waters of the harbour rippling their pleasure at their sun-bath. Fishing-boats have grounded against the *bund*—fishing-boats now manned by a handful of Kiushiu fishermen in striped-blue kimonos and with a crowd of Shantung hands to help them. There is immediate proof that those waters teem with fish; for the fishermen are tumbling out basket after basket of

their prey, and fresh mackerel may be had practically for the asking. It is something to eat this fish; to taste it almost before the sting of the salt water has left it; and to see the sea, and the famous narrow entrance, with the blockading ships tilted drunkenly on the rocks, before you.

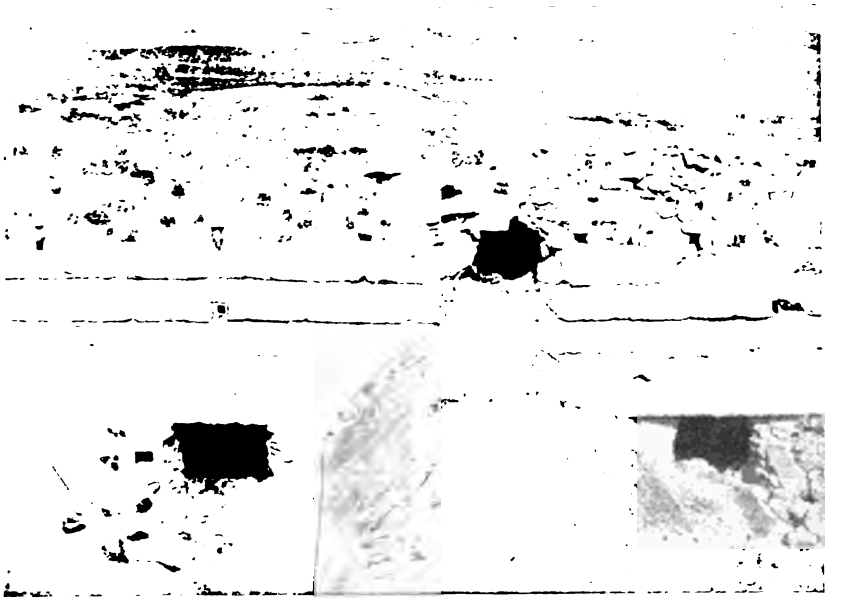
Once more you are off in a carriage—this time through the old town and the railway pass, until you are at the rear of the famous Sung-Shu-shan fort, whose blowing up on the last day of the siege largely brought about Stoessel's surrender.

It is a steep climb up these hills, past trench after trench of the defenders' lines; and when you reach the top, it is only to find yourself in the reserve fort with impromptu fortifications of ruins around you. The great fort is nearer the outer ring. You pass across a big dip in the ground, and come to a rising slope, up which climb shelter-trenches and rude bomb-proofs. Then you find yourself suddenly in the fort itself.

The first impression is one of utter bewilderment. There is merely an enormous flat area littered with sandbags, broken barrels, kerosene tins filled with earth, shell fragments, timbers—all the miscellaneous refuse which purely defensive warfare inevitably collects. But push on a little until you reach the enormous solid concrete gun-emplacements, the huge shell-proof galleries, the bastions, the caponieres, and last of all, the outer moat. Then you understand the destructive energy of dynamite, for all these thousands of tons of concrete, built in on

steel frames, all but the great bastions in the rear of the fort, have been blown to fragments. All this was done, not by the famed 11-inch howitzers, which have been so highly rated, but by a single charge of two tons of dynamite introduced into the entrails of the fort by mining from the Japanese parallels, which were pushed up under the crest of the counterscarp of the ditch. If you scramble down into the *débris* which litters the enormous 50-foot ditch, sunk sheer into solid rock, you will see three square holes, bared by the explosion of the dynamite charge. These are the tunnels which the Japanese drilled in the face of enormous difficulties under the caponiere. Across the ditch, and immediately below the crest of the outer ruin, the Japanese saps and parallels commence. They cut right up from the gully-split plain beneath until they reach and almost touch the Russian lines. But the 50 feet of space of the great moat proved too much for them. For months this narrow gap alone separated the besiegers from their lawful prey, but no valour or ingenuity could win that 50 feet for the brief space of five minutes, which was all that was necessary to capture this great work.

The nearness of the besiegers and besieged for all these months, and the fact that neither could get at the other because they were each below the line which their guns commanded—in brief, because they were too close to one another—necessitated a return to an old and odd kind of warfare. It was here that the Japanese mounted wooden guns to



THE SUNG-SHU-SHAN DITCH: THE HOLES SHOW THE NATURE OF THE TUNNELS WHICH THE JAPANESE SAPPED FROM UNDER THE COUNTERSCARP.

[*Face page* 194.

PORT ARTHUR: A SNAP-SHOT OF THE GREAT FORTS TO THE WEST OF THE RAILWAY PASS.

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discharge bombs and explosives just over the moat on to their enemies' heads; and it was here that the Russians mounted lines of their smallest machine-guns from the derelict war-ships, and poured a withering fire across the fatal gap whenever any movement seemed to herald the coming of the cold steel which they dreaded. The Japanese, like the gallant *Condor* in the bombardment of Alexandria, had pushed in so close that the guns of the fort were of no value. Quite a different warfare, then, was this from that which was waged intermittently round 203-Metre Hill until its fall, and this fact merely confirms the experience of other wars—that in sieges each area speedily acquires a local method of meeting development after development, and that each quarter soon begins to live its own life and fight for its existence in its own special way, adapted to the circumstances of the case, losing all knowledge of what is going on elsewhere.

Scrambling round to the eastern faces of Sung-Shu-shan, you see immediately beyond you the second great fort of this powerful eastern sector of the fortifications. It is perhaps 800 yards away in a bee-line, and, looking across a narrow dip in this hummock-smitten country, you realise the enormous natural strength of every position. Behind the line of forts runs the broad military road, coiling in and out of the hills like a crawling snake, and on it our *ischvoschick*, seeing us running down and jumping trenches, *trous-de-loup*, the remains of wire entanglements, began to trot away. Breathless, we gained

the western slopes of this second great fort, and, following the line of trenches which climbed ever upwards, once again found ourselves in huge cement-protected fortifications. But here the confusion of Sung-Shu-shan was more than rivalled, for Erh-Lung-shan, falling seventy hours before its sister fort which guards the railway pass, had been submitted to such a devastating Russian flanking fire, and had been so enfiladed by heavy ordnance, that it must have been almost untenable. This, indeed, was one of the last terrible applications of the Russian principle of fortification—the system which makes each fort in a chain able to turn its guns on its neighbour, should the latter be captured by the enemy, and to submit it to such a devastating fire that assaulting columns are unable to hold their ground, and finally give way before the defenders' counter-assaults. This is why the mining of Sung-Shu-shan and Erh-Lung-shan was carried on simultaneously; had only one been blown up, the other might have led to the reconquest of its fallen neighbour.

It is dreary enough, though fascinating, work to wander through the ruins of this second fort. Here the explosion of dynamite was so successful and so well calculated that stupendous blocks of cement concrete have been blown into shapeless masses, and have blotted out the main outlines. The great ditch is full of *débris*; hundreds of tons of cement chips have poured over like a great stream of dry lava from the bastions above; and caponieres, galleries, casemates, bomb-proofs, are so wrecked

THE RUINS OF EHR-LUNG-SHAN FORT, LOOKING EAST TOWARDS THE NORTHERN FORTS OF CHIH-KWAN-SHAN.

[*Face page* 196.

THE REAR OF THE GREAT SUNG-SHU-SHAN FORT.

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that you can hardly trace their original formation. Only within the fort, in the huge open space where the defenders massed before the assaults, is there any indication of the original state. Every gun, however, has been removed by the Japanese; and in place of the former array of heavy ordnance there remain only broken breech-blocks, bolts and screws, and a few jagged pieces of shell. An immense air of exhaustion and desolation, indeed, hangs about the whole place.

Once more we scrambled down the rude and war-worn flanks of this forsaken hill; and this time, broken in back and leg, we were glad to take rest as we were driven to the next fort, the Pan-Lung-shan. Here no longer were the masses of cement blown to atoms; for the approach of Japanese saps had not been carried far enough to burrow below the very feet of the defenders. Here, therefore, you might once again study, as at Metre Hill, the net results achieved by direct and indirect bombardment; and here again there is the same disappointment at the mediocre results accomplished by even 11-inch shells. Damaged indeed is this fort, and more damaged, of course, may have been the guns and the defenders whilst the conflict was raging; but in no sense is it wrecked.

A little beyond this is the line of smaller forts which link the giants of the railway pass with the last great forts facing the Taku-shan range—the Chih-Kwan-shan forts; and now we came on hills that had been severely bombarded by the

direct fire of heavy field artillery. For hundreds of yards whole slopes were pock-marked with perfectly round holes a foot or two in diameter, evidently indicating that a grim attempt had been made at some period of the siege by massing mobile guns to snap a link which seemed the weakest in this powerful eastern chain. Here the clean-up, which is being sedulously carried out by order of the Japanese Headquarters Staff, had not been completed; and lying about, like the detail in some Verestchagin picture, were broken gun-wheels, travelling soup-kitchens of the well-known Russian model, rifle-barrels, and rusting sword-scabbards. At the mouths of the countless improvised bomb-proofs, which crept into the hillsides and sheltered the waiting Russian infantry whilst the bombardment preceding the assaults was at its fiercest, lay pathetic things, still remaining although the tide of war had moved so far away. There were scraps of writing, a photograph, pencils and paper, showing whither thoughts were turned when the contending forces were battling like the hosts of Armageddon.

Crushed by the silent tragedy of these circling heights, we paused at the bottom of Signal Hill, which raises itself here, slim-waisted and cone-shaped, above its fellows. Here is a view for you. For from Signal Hill, as from Metre Hill, once more is the surrounding country spread out map-like in front of you. To the north-east—that is, facing out towards the Japanese positions—there is only a broad plain, which seems to provide

no protection for the assault columns. But peering through field-glasses soon shows that there is the same cover there as all round the approaches to the great *enceinte*. The dark-brown gullies, bored deep into the earth by the constant action of the tremendous rains, creep across the rough plain and make admirable shelter-pits; the plain is not really as level as it seems from this height, for there is dead ground in those undulations which no guns from the forts can properly sweep. That is why on the top of Signal Hill there are two 6-inch naval guns and the remains of earthworks which provided emplacements for smaller quick-firing guns. Signal Hill, like the Kuropatkin lunettes, Metre Hill, and the Laoti-shan naval battery, was one of those afterthoughts by which the Russians sought to cover up their shortcomings. The light guns have already been removed, but the naval guns—one with its muzzle broken off short by a shell-burst—remain, and peer out forlornly over the plain.

South of this, following the line of hills to the sea, are the Chih-Kwan-shan forts—the famous north fort of Chih-Kwan-shan and the huge main fort of East Chih-Kwan-shan. The north fort, after having been the scene of most terrible fighting for weeks, finally succumbed. But the main fort, one of the most powerful structures in solid concrete I have ever seen, was never captured. It was this fort which was blown up by the defenders on the 2nd of January, after the actual surrender had been accepted; and it was this action which so enraged

General Nogi that he almost ordered the recommencement of hostilities and the capture of the town by assault.

In this fort of East Chih-Kwan-shan you can therefore study another effect of explosives—the results produced by placing small charges of dynamite anyhow in a dozen different places and then lighting slow-burning fuses and retiring. Here massive blocks of cement have been thrown up a few feet only and have then tumbled back almost to their original positions. The floor of the fort, and the caponieres and casemates, instead of being blown into ten million pieces as at the Erh-Lung-shan and Sung-Shu-shan forts by stupendous explosions of dynamite, have been rent by enormous cracks, and tilted this way and that, as if by the action of some treacherous earthquake rather than by the hand of man. The huge gun-carriages and the guns themselves still roll on the ground. Far beyond to the east rise the heights of Taku-shan; and below and around climb the trenches which in vain sought to reach this massive and perfectly protected fort. Only a mile to the south is now the sea, with the chain of minor batteries, culminating at the narrow entrance in the Golden Hill fort, following the edge of the coast-line.

There is nothing worth seeing down there, for the coast batteries did but little to justify their existence, and for the major part were not even interested spectators of the tragedy being played by the main ring of the great land forts.

As you drive rapidly from the Chih-Kwan-shan range towards the town, the extraordinary strength of these eastern ridges becomes more and more patent to you. For although they are scarcely fortified at all, behind the main *enceinte* there are numbers of barren hills, which could be rapidly turned by the pick and the shovel into strong infantry positions which would have to be carried one by one by assaulting columns at immense loss of life. Right up to the Chinese town of Port Arthur, there are these hills and those immense folds in the ground which make bombardment such ineffective work. Then you come suddenly on the dense native population that still clusters thickly together in a couple of thousand of siege-like dwellings.

Here there is far less damage apparent than in that portion of the town which was formerly given up to Russian occupation. Wrecked and ruined houses there certainly are, and signs that many others have been recently repaired; but of the absolute demolishment about which so many people have spoken there are but few traces. Days afterwards I meandered for many hours through these streets, and sought confidences from those who had been through the whole siege. It is significant that many Tientsin Chinese—who form a considerable portion of the more affluent classes of this population—stated emphatically that they suffered less from the bombardment than did the Tientsin native city in 1900, when the Allies flung retribution, in

the shape of shot and shell, over the city walls into the populous districts of the Vice-regal seat of the Chihli province. These Chinese also stated that the Japanese bombardment was very irregular, as far as the besieged were concerned; sometimes for days it was concentrated on distant points miles away, showing that the gun-power brought to bear was never sufficient to sweep the 15 miles of front which had to be broken down. This is but another proof of the justice of the remarks already made by many observers: that the swelling of the Japanese field armies from 200,000 to 800,000 men made their artillery parks far too small and quite inefficient, and that they never had enough guns at Port Arthur.

Once you have completed an examination of the territory around 203-Metre Hill and all the eastern sections, there remains but one really important set of positions to visit—positions which are indeed the crux of the controversy as to whether Port Arthur could still have held out after the 1st of January, accepting the situation as it then was, had General Stoessel been a man of the stamp of General Kondrachenko. These are the forts west of the railway pass, the forts which rise so sternly and commandingly that their fire swept away the head of every formation the Japanese sought to push in through the very centre of the Russian defence—the Itzu-shan, Antzu-shan, and Hsiao-Antzu-shan forts. Their inspection is therefore of supreme interest, and is denied to all except those who can

win the favour of the Commandant of the fortress by the possession of exceptional papers.

The road which you take to these positions which command the railway pass, is the very road which shows you exactly where the Japanese would have penetrated from their captured positions of Sung-Shu-shan and Erh-Lung-shan, had the siege continued after the 1st of January. Out through the back of the old town, where are the remains of the old Chinese wall dating from the days when German engineers turned Viceroy Li Hung Chang's creation into a modern place of arms, the road runs; and from here the trenches which wind for thousands of yards along the base of the Sung-Shu-shan positions begin. Then you boldly drive across the big open gap, and soon you are climbing a military road which curls in behind Hsiao-Antzu-shan—"Little Saddle Hill."

In three minutes you are lost, for a sea of small rugged hills has arisen so suddenly that you are at some difficulty to discover your bearings. The road climbs slowly upwards, curling snake-like round a splendidly massive hill. Here, were the howitzers still playing on the fortress, you would be safe—absolutely—from any fire. The narrow valleys between these hills are so deep and have so many natural traverses formed by outjutting shoulders of earth, that only a miracle would make the shell-bursts effective. The truth of this is amply demonstrated by the smooth and unfurrowed faces of the hill-slopes. Hardly a projectile has

burst here, and the few that came have left scant traces.

By now you have curled far round to the west and are almost up to the summit of the hill. It is worth while dismounting and walking the remainder of the way.

The rear of the fortified hill of Hsiao-Antzu-shan is a long saddle-back, without any reserve hill immediately behind it, as is the case with Sung-Shu-shan and many of the forts in the eastern sections; but along the outer ridge of this saddle-back there is a line of immensely powerful trenches which could not be taken by assault except after the defenders had been blown to atoms by shell-fire. For a steep slope, with absolutely no cover in the shape of water-cut gullies, as is the case nearly everywhere else around Port Arthur, now runs sheer down for hundreds of yards until it loses itself in the plain beneath. The system of Russian trenches takes advantage of all the immense natural strength of these positions: and later on you discover that the trenches run in all directions until they reach every spot which is more vulnerable than its neighbours, and until they touch the very outer skirt of the hills. Thus even if Japanese assaults succeeded in occupying the lower lines, the reinforced defenders could pour overwhelming numbers on top of them from behind screens which would afford adequate protection until the very last moment.

Up to the square, ugly-looking fort, with its immense concrete bastions, the trenches run. Then

they suddenly cease, and you find yourself once more in a position fortified after the most modern scientific methods.

The first thing you notice is that, apart from one huge breach in the eastern face, evidently made by a succession of howitzer shells, there is again no damage worth speaking of to be noted in this fort. The magazine, with its immensely thick walls and its steel doors, is intact; the gallery has not been so much as scarred; and the floor of the citadel is not rent as in the eastern forts. But step outside—here there is no ditch necessary—and glance at the scene before you. Once again you have a magnificent view.

Except from 203-Metre Hill and Signal Hill, there is no position which shows you at a glance the difficulties of an attacking force as clearly as this. For there below you is the plain and the railway pass; then Sung-Shu-shan, Erh-Lung-shan, and the whole line of eastern forts, and these you dominate totally and utterly with your superior height. Your first impression in the railway train was correct: these positions are well-nigh impregnable. The Sung-Shu-shan fort, instead of being able to overwhelm this position with its fire, would be immediately at a disadvantage, for the Little Saddleback Hill towers nearly 200 feet above the captured fort across the valley, and could subject it to a raking fire which it would be vain to seek to silence.

Cross by the rude but broad military road to the

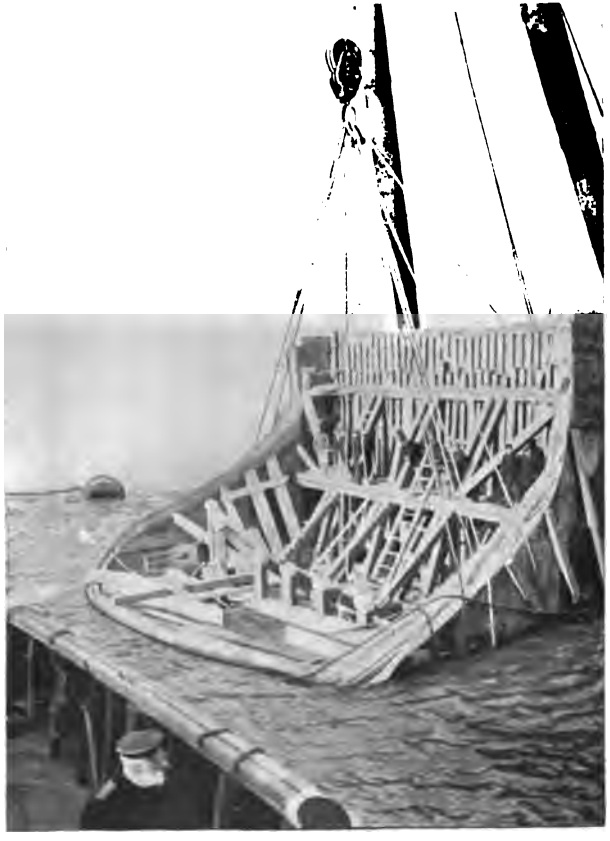
Antzu-shan fort—the bigger but more sheltered of the two Saddleback Hills—and this impression of immense, dominating strength, offensive as well as defensive, is increased. Once again you have proof before your eyes that the fire of the 11-inch howitzers was not nearly so effective as the reports were pleased to make out. It is true that as at Hsiao-Antzu-shan, so at the big Antzu-shan, the slopes are pitted with great cup-shaped hollows already half-hidden with rank-growing weeds. But within the fort the destruction wrought by gunfire is not great, in fact is trifling. Shelling, although demoralising to soldiers and effective when made against imperfectly entrenched troops, has not gained in importance as a decisive factor in battles during the last hundred years, in spite of the fact that fire-rapidity, the weight of metal thrown, and the bursting charges employed have been increased many hundred per cent, until they may be said to have reached their maximum limit. Here in this powerful chain of forts, supplied in almost every case with concrete galleries sufficient to house each fort garrison, lucky shots could only be counted on at most to dismount or put out of action the defenders' heavy guns, perhaps killing or maiming a few men in the process. Had Metre Hill been crowned by the military engineers responsible for the fortification of Port Arthur, with an immense fort of the type of the Sung-Shu or Erh-Lung monsters, the sanguinary fighting for its final possession which marked the grim months of October and November 1904 would

never have been necessary, and the total Russian casualties for the entire siege would have been far under 10,000 men, or 20 per cent of the whole force engaged. A hundred years ago no such small percentage would have been possible; it is the long-distance fighting, now the order of the day both on land and on sea, which has diminished the risk to life and limb to such an extent.

Mount for a last time your carriage and whip up quickly to the last great fort—Itzu-shan—and confirm all this. You will then be able to understand something more of the reasoning which persuaded the Russian engineers years ago, when they were elaborating their great system of fortifications, to commit the fatal mistake of leaving Metre Hill a mere observation-post instead of crowning it with vast works, able to stand a whole siege by themselves. For if 203-Metre Hill is 670 feet high at its very summit, Itzu-shan is very few feet lower, and is so well knit-in by the forts on its flanks that it could with impunity stand a tremendous pummelling, since it could give back as much as it received. From Itzu-shan, Metre Hill looms up gloomily less than 10,000 feet away—almost due west; but so intense was the fire this unconquered and unapproached Russian work was able to lavish on its taller neighbour, that the naval guns which the Japanese mounted tentatively in such dangerous proximity were forced to wage a purely defensive warfare, and were unshipped again and again by the force of the explosions taking place around them.

And if you turn back and look over to the west end of the harbour, you will see the dark-brown Laoti-shan range looking steadily over this debatable area. Right up near the summit of this lofty range—which is the highest ground, with the possible exception of Wolf Mountain, in a 20-mile radius—the Russians mounted a battery of naval 6-inch guns; and from this immense height they swept the country beyond the western sections of the fortifications with such a raking fire that these Laoti-shan shell-bursts soon acquired a fame of their own. From a height of upwards of 1000 feet a 6-inch gun can place shells 18,000 metres off, or a distance of fully 12 miles, and the impact is so tremendous that shells which burst on Metre Hill are said to have sent fragments to a greater distance than has ever been recorded previously. Had Laoti-shan, in the long years of preparation, been turned into a citadel provided with the heaviest ordnance, it also might have made the complete capture of Port Arthur an impossibility, for no troops could have stormed its grim heights. These faults of omission strike one with ever-added force.

Turn into the town for the last time and climb Golden Hill, which so proudly surveys the harbour, and realise once more how imperfectly the Russian engineers did their work, and what strict limitations their imaginations possess, even with all the traditions of Todleben and the experiences of the Turkish war to guide them. For the Golden Hill forts, secure from the sea front, were terribly exposed from the



THE FAMOUS CAISSON WHICH THE RUSSIANS IMPROVISED AT PORT ARTHUR, AND BY THE AID OF WHICH THE BATTLESHIPS OF THE CRIPPLED FLEET WERE REPAIRED WITHOUT DRY-DOCKING.

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THE SIEGE OF PORT ARTHUR: HOISTING OUT A 6-INCH GUN FOR SERVICE ASHORE.

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land side. Whenever the Japanese observation-posts on Metre Hill directed the indirect fire of the heavy howitzer batteries on this powerful work, the Russian gunners were forced to flee for cover; for by some strange lapse they had no concrete screens to protect them from a bombardment from the rear, and the improvised walls of sandbags and railway steel erected hastily in the last days of the siege soon crumbled to pieces. Yet with all this, the permanent fortifications are but little damaged and require but trifling repairs.

But look out at the sea from here—the blue sea that Viceroy Alexeieff has lost to Russia, perhaps for ever, by his terrible foolishness. Below are the remains of Togo's blockading ships, some with their noses rammed on to the rocks right under Golden Hill, others with their upsticking masts and partially submerged superstructures right in the fairway. Salvage crews, with many pumps and divers, are at work on them, and in less than a year every vestige of these deathless but unsuccessful attempts to seal up the whole Russian fleet will have vanished. Cast your eye through the narrow entrance and see how ceaselessly the Japanese Naval Department is at work. Launches and picket-boats are darting to and fro, and from the last raised battle-ship comes an unending clang of hammers. Every ship sunk in the harbour has been raised, absolutely every one, in spite of the Russian boast that high explosives applied before the surrender had made them all worthless. The

poltroonery of the Russian navy has therefore added four first-class battle-ships and two excellent cruisers to the Japanese fleet, not to speak of hospital-ships, gunboats, torpedo-boats, dredgers, steamers. Only the battle-ship *Sebastopol*, which sustained the last fight made under Laoti-shan on the very eve of the capitulation, met her death properly. She lies out there in the deep, in 40 fathoms of water, not far from dead Makharoff.

But although work has been pushed on night and day in refloating the ships, hardly a penny has yet been spent by the Japanese in restoring the ruin in the naval dockyards. The dry-dock is still encumbered with a Russian steamer, rent by a powerful explosion, so as to give the salvers the maximum amount of trouble in getting her out; the dock-gates were blown to atoms by the same means and have not been replaced; the machine-shops, partially wrecked by the bombardment, have only been slightly repaired, for the Port Arthur Admiralty is devoting all its energy and all its scanty funds to getting the salved battle-ships and cruisers ship-shape enough to allow them to proceed under their own steam to Japan. When that has been achieved, and all the miscellaneous vessels have been doctored, then there may be time to attend to something else.

Nor are the forts being restored. On the contrary, every fort on the land side is being stripped of all its guns and of everything of value. To Japan these land-forts are meaningless, since her

HEAVY FIELD ARTILLERY IN ENTRENCHED POSITIONS DURING FIELD MANŒUVRES.

[*Face page* 210

THE FATAL HILL OF NANSHAN, ON THE KINCHOW ISTHMUS.

LIBRARY
OF THE
UNIVERSITY
OF
CALIFORNIA

fear will never be a sudden landing of an enemy on the Kuantung peninsula, but the slow advance of overwhelming hosts from the north. The proper place to meet these, if field armies prove unable to arrest their advance down the Liaotung, is at the Kinchow isthmus, and nowhere else,—the narrow strip which is commanded by Nan-shan and which the Russians proved so incompetent to defend. The Tokyo Departments of War will have most elaborate plans in their portfolios dealing with the fortification of this narrow strip, and should occasion ever warrant it, in a month an impregnable system of semi-permanent fortifications, provided with immense gun-power, will spring up and prove an effective bar to the advance even of hosts animated with the spirit of Suvaroff and trained in the school of Moltke.

Only the sea-forts at Port Arthur will be restored, because they are necessary as an insurance for the dockyards against sudden descents. From Golden Hill to the top of Laoti-shan a system of Japanese fortifications provided with disappearing guns of the heaviest calibre will command the sparkling waters to a range of 15,000 metres. Already an order has gone forth from the Port Arthur Admiralty prohibiting photography along the sea-front; in 1906 no strangers will be admitted to the sea-forts; and by 1907 Port Arthur, in its new guise as a secondary naval base, will be complete. The land-forts and the sites of the terrible fighting along the main *enceinte* will,

however, be free to all, and tourists may crowd from the uttermost ends of the earth to view the spots where were enacted these most swelling scenes of the great war.

By special order, a museum has already been commenced in a big building outside the old town of Port Arthur; not one of those dull museums which are a mere stereotyping of the obvious, but a living, speaking, military museum, full of that wistful and curiously poetical Japanese originality. This is how it is being arranged.

Round the garden, which surrounds the museum, a trench has been dug, and leading over the trench there are wooden bridges. But since it would never do to have only commonplace wooden bridges, which any one could make anywhere and which would have no striking note, the ingenious Japanese designers have thought a good deal, and have found originality. First they requisitioned a large number of Russian ammunition caissons, and started sawing the green-painted Russian wheels in half. The wheels, thus divided into half-moons, formed a convenient and original pattern for the balustrade; so, with the poles of gun-carriages and the axle-bars of military waggons fitted at the tops and at the ends, and the very planking of the bridges composed of the bottoms of captured Russian carts, something has been produced which will arrest people's attention at the very threshold and prepare them for the scenes within.

In the grounds hundreds of hands have already

been at work, and much has been done. The walks are divided off from the various entrenched positions which are being dug, not by railings but by lines of diminutive sandbags. All sorts of guns, from monster 30-centimetre Obuchoff pieces to naval machine-guns, are being dragged to the grounds, and there mounted as permanent exhibits. But they are being mounted properly, the big guns protected by huge casemates of concrete, and the light guns placed in field fortifications thrown up with the pick and the shovel. These introduce you properly to the doors of the museum; and then with some ingeniousness you are given a touch of contrast, which half explains to you why these great guns and these countless quick-firers in mighty Port Arthur could not hold any enemy that might come for ever at bay.

The first room in the museum, which is still a very rough-and-ready affair, is given up to exhibits of the various articles kept in stock by the commissariats of the rival armies—Russian and Japanese. The Japanese exhibits are limited to a formidable array of bottled food-stuffs, but the Russians embrace every manner of thing found in their army depôts. There are all kinds of uniforms, shirts, boots, and clothing; and then, in one corner, there is a veritable ladies' department! Here scent, soap, cambric handkerchiefs, ladies' boots and ball-shoes, corsets, chemises, and a hundred other feminine trifles, are piled high, showing that the Czar's commissariat, with true Russian gallantry, provided everything *au*

bonheur des dames! I paused in astonishment before this extraordinary display, and asked the Japanese officer who accompanied me whether these things were all actually found in the army depôts, or whether they had been gathered together. "Not only these things," he answered, "but many others; there were even babies' cradles"! It is evident that in one respect the Russian army has nothing to learn.

You leave this room to enter another, devoted to the instruments of offence and defence used in this murderous siege, and immediately you have the sensation of entering an exhibition of mediæval instruments of torture. For on the rough unpolished tables you will find everything which figured on the Japanese as well as on the Russian side, and words fail to describe the extraordinary variety of implements which human ingenuity devised in those supreme moments. In the category of hand-grenades and bombs alone, as many as twenty-six varieties were used, varying from the regulation hand-grenades, composed of an iron shell with a very heavy protruding knob which produced the explosion on striking the ground, to the most simple and elementary kind, made in the last stage of the siege, when nearly everything was exhausted, out of an empty tin of Nestlé's condensed milk, charged with a mixture of explosives and scraps of iron, and exploded by lighting a fuse of string and cotton soaked in oil. There are countless picks and shovels, worn to nothing by endless trench-work; broken

search-lights; sections of wire entanglements; Japanese scaling-ladders of bamboo, and a hundred other things. There are also special tables of singular interest, on which you see the latest idea for exploding land-mines. It is simplicity itself, and another proof that if science has benefited man, it has also invented terribly subtle means for his sudden destruction. Thus you will see, on a square of plain deal board, the shattered remains of two glass tubes and the weedy ends of a system of wires. That square of deal board was buried two inches below the surface of the ground, and the two glass tubes were filled with acids—harmless individually, but terrible once combined. The quick scrunch of the feet of an assaulting column rushing up a glacis was almost certain to stamp on such an infernal engine; and the moment the slightest shock broke those two glass tubes and mixed their contents, a terrible burst of high explosives hoisted dozens of unfortunates in the air. Farther on are more boards, showing other systems based on the use of electricity and buried batteries; but it is always the same principle, the stamp of unwary feet coming down suddenly and establishing connection —electrical or chemical—and bringing about a terrible explosion.

There is now no doubt that all these land-mines, bombs, hand-grenades, star-shells, search-lights, wire-entanglements charged with electricity, and other infernal inventions, impressed the investing Japanese soldiers to an extent that has not yet been

realised, and produced many unrecorded panics. It is the unexpected which produces a greater moral effect on the Japanese soldier than on any other man, and a succession of surprises flung on him quickly and sharply discourage him far more than a series of crushing blows in the open. Perhaps the psychology of soldiery should be studied in the twentieth century far more than it appears to be.

Tired of these rooms, containing so much which makes for the downfall of man, you pass through appropriate avenues made of every kind of shell, from the monsters which measure five feet in length, to the smallest babies which you can place in your pocket, into a chamber where are displayed models of the great Sung-Shu-shan and Erh-Lung-shan forts, whose capture brought about the surrender. Everything has been most carefully imitated in these models, down to the very colour of the miniature sandbags, a great number of which were blue, because that coloured cloth was the one remaining fabric. The exact nature of the breaches made by the stupendous dynamite explosions is carefully shown, and it would be a good idea if miniature wooden models of these famous forts were prepared and placed on sale, so that the visitors who will, doubtless, later come from many parts of the world may be able to carry away appropriate souvenirs.

All round these rooms, too, are hung Russian prints and oleographs taken from official houses. It is remarkable that nearly all of them deal in a

popular way with the irresistible Russian expansionist movement, which was such a remarkable feature of the last century. Turks, Turcomans, Kirghiz, are all shown either in mortal combat with the sons of Holy Russia, or engaged in the equally pleasant task of savagely torturing captured soldiery, whose contemptuous looks prove that in the eyes of the populace Russia's civilising mission in East Asia is one showing only the mettle of her people. Surely these popular prints have a message.

Not a thousand yards from this most interesting museum is the nucleus of a library of European books. With that love for the printed word which the Japanese share with the Chinese, every book found in Port Arthur has been carefully picked up by the Japanese military authorities, carried to this house, indexed and labelled, and the library is already available to the visitor. The large majority of books are in Russian, but there are numbers of English, German, and French books dealing with the Far East. It is worthy of remark, however, that Port Arthur, which contained approximately the same foreign population in normal times as Hongkong — say 10,000 people, including the soldiery—had less than 10,000 volumes, including every class of literature.

These museums, which are gathering up all there is of interest in the town, leave but little more to be seen. For a last time I wandered through the narrow streets of old Port Arthur. Some signs in Russian posted up over barricaded shops still tell

the passer-by a little tale of the siege—that this or that place was open through the side-door for an hour or two in the afternoon—that the owner is dead—that the business is closed for good. I sought out where the premier pastry-cook in the old days dispensed his wares, a place which was always crowded night and day, for the Russian loves sweets inordinately. Poor pastry-cook, who made such justly famous chocolates; a solitary Chinaman from the adjacent province of Shantung is now chopping wood in your front parlours,—chopping up for firewood the very barricades you erected to prevent the soldiery from looting you clean!

Even Baroufsky's tent of corrugated iron is still there—Baroufsky's circus, where officers and men were so madly drunk on that fatal 8th of February. The entrance doors swing idle on their hinges; the ring is almost exactly as it was before; hardly a shell-hole disfigures the big rotunda. Perhaps the Japanese shells, recognising one of their secret allies, purposely flew high, and sought out open enemies. It is doubtless for this reason that down the street just beyond, which leads to the harbour and the narrow *bund*, the offices of the bellicose *Nova Krai* were so roughly handled. Here everything was beaten absolutely flat, and remains so to this day. Half buried in the ruins of brick and rafters you see the printing presses of that Jingo of Jingo newspapers rusting away — rusting away just as they were tumbled down. O *Novo Krai*, so decisive in your sonorous phrase, which decreed

once and for all the foundation of the new Russo-Chinese Empire, have you shrunk to this small measure! Digging with my stick, I came on type and broken forms; and crouching on my knees, with great difficulty I picked the letters I needed. The Port Arthur *Novo Krai* should at least be remembered in its own type on a paper-weight made of shell fragments.

And the surrender? Well, there is little to add to what has already been written in a dozen volumes. It was quite unjustifiable; it brought about the downfall of Russia in South Manchuria, and Stoessel deserves to be placed in the same category as Bazaine. Everything demanded a defence to the death—a glorious defence, which would have removed all sting of defeat; a defence continued, no matter at what cost. It is easy to understand, however, why Stoessel acted as he did. On the 15th of December brave Kondrachenko was killed; the same day General Fock, who also deserves summary court-martial, was appointed in his stead commander of the eastern forts—that is, of the forts running from Sung-Shu-shan to the sea. Following this quickly came disaster. On the 18th of December the north fort of East Chih-Kwan-shan, where Kondrachenko had just been killed, was captured by assault. On the 28th of December Erh-Lung-shan was blown up and similarly captured. Stoessel at once called a council of war, which was attended by every high officer. He explained the situation in the eastern forts and favoured surrender. Every officer

present voted against such a course, with the exception of Stoessel, General Fock, and Colonel Reitz, Stoessel's Chief-of-Staff. Unconvinced but ashamed, Stoessel waited. On the 31st of December Sung-Shu-shan was blown up and captured, and the following morning General Fock allowed a retirement to be commenced along the eastern ridge. The Japanese pressed forward and occupied the abandoned positions, and Fock, galloping to Stoessel's head-quarters, declared that unless an offer to surrender was immediately made, the Japanese would be in the town within two hours, butchering every soul. Stoessel without delay or consultation wrote his letter to General Nogi, and despatched Lieutenant Malchenko, his personal aide-de-camp, and four Cossacks through the railway pass. His offer was of course accepted.

Here it may be pertinent to remark that in the Russian General Staff Regulations it is distinctly laid down that when a commanding officer no longer possesses sufficient decision to continue a defence he should hand over his command to the next senior officer. In this case it would have been General Smiroff who would have assumed the command, and it cannot be doubted that Smiroff would have succeeded in holding out for many days longer. Stoessel should have handed over command on the 28th of December; for immediately after the final council of war, although it had been decided to continue fighting, every one knew that Stoessel would surrender on the very first oppor-

tunity, and the result was that by the morning of the 29th the fighting spirit had almost fled. A reckless discharge of ammunition began all round the lines, informing the Japanese that something grave had happened. They almost guessed that the end was coming. Under such circumstances General Stoessel merits the death-sentence; that he will be shot at so late a date is unlikely. There can be no doubt that any commanding officer who surrenders a fortress in such a manner disgraces his country beyond words; and it is to be trusted that with the Port Arthur lesson and its awful consequences before us, steps will be taken in future to punish with death any British officer who surrenders his command to the enemy. The last lesson of Port Arthur is that the no-surrender spirit of the Japanese is one which must become universal if the white man is to maintain his supremacy.

NOTE

The definite report that the St. Petersburg Commission charged with the investigation of the Port Arthur surrender has completed its labours, and that the trial of General Stoessel and some of his officers is soon to commence, lends additional interest to the fallen fortress. According to the report in question, the Commission has recommended that General Stoessel be dismissed from the army and shot; that General Fock be summarily cashiered; that Colonel Reiss, who was General Stoessel's Chief-of-Staff, be dismissed from the army and

banished for life; and that various other officers be severely reprimanded.

The three high officers above-named are believed to be the three who not only advocated surrender at the last Council of War, but who actually arranged amongst themselves how this infamous act should be carried out. As early as the 15th of November General Stoessel had sent out despatches from Port Arthur which spoke in the most pessimistic terms of the general position, thereby causing the Russian Far Eastern Committees charged with the management of the blockade-running to abate their efforts. General Dessino, the chief Russian military agent in the Far East, whose exhaustive reports and endless strings of telegrams during the war were largely responsible for opening the eyes of the St. Petersburg General Staff Headquarters to the increasing gravity of the situation, could undoubtedly have prepared a scheme for re-victualling and re-arming Port Arthur had there been an indomitable commander within the ever-narrowing ring of forts. In December 1904 efforts were actually being made to rush a large number of steamers to the narrow entrance of Port Arthur, but as such schemes take much time to elaborate, the miserable surrender overtook all salving measures.

It has not been sufficiently realised in Europe how Port Arthur was the real turning-point in the war, as far as the Japanese were concerned. If the whole history and strategy of the war be examined it will be immediately seen that the Japanese were, primarily, not fighting to beat Russia, but to entrench themselves impregnably on the mainland of Asia as a preparatory step. To accomplish this entrenching the speedy capture of Port Arthur was a *sine qua non*; every week's delay made the completion of Japanese plans more and more

difficult. Thus, since Port Arthur was the pivot on which Japanese strategy turned, that pivot should not have been surrendered until its retention had become a human impossibility. All the misleading matter which has been penned on the subject of Port Arthur by experts inclines one to the belief that the entire Japanese campaign of 1904 was quite misunderstood. Such an eminent critic as the *Times* Military Correspondent does not hesitate to say that Dante's inscription over the gates of Hades is one worthy of being nailed above every fortress; other experts have expressed the view that in 1904 the Russians should have blown up Port Arthur and retreated to Harbin, thus gaining time to meet their assailants on equal terms. Had this latter course been adopted, the position to-day would be that Russia on the Pacific would have ceased to exist, and that Japan would be intolerable. As it was, had Port Arthur been defended to the last cartridge under a leader such as Kondrachenko, it could undoubtedly have held out into the month of February, and entirely prevented the battle of Moukden being fought under conditions so favourable to Japan. Had the Russians under Kuropatkin been forced only to retreat one step to Tiehling, the war would not have ended in the unfavourable way in which it did. The belligerents might really have become exhausted, and a true peace, accompanied by the entire evacuation of Manchuria, would certainly have followed. On Port Arthur, therefore, must be placed much of the blame for the present unhappiness in the Far East; Stoessel's guilt is indeed immense. It is the worst guilt imaginable: the guilt of the man who could not rise to heroic heights when everything in the whole world should have inspired Homeric deeds.

CHAPTER IX

THE GENERAL JAPANESE POSITION

IT has now become necessary to summarise rapidly the general position of Japan, and to reduce to plain language the present outlook.

In the preceding pages, the part played by the triumphant military-bureaucratic oligarchy in the making of modern Japan has been made clear. The civil and military elements of the dominant clan system being divided into two great parties, it may be said that Marquis Ito is the head of the former, whilst that shrewd old soldier, Field-Marshal Yamagata, is the chief of the latter. No better illustration could be given of this curious double element, and of the effect it has on the nominal government of the day, than is afforded by the history of recent Japanese Ministries. In 1901 Marquis Ito's failure to carry through the measures of his quasi-"party" Ministry led to his resignation and to the installation of Count Katsura, who was one of Marquis Yamagata's most ardent partisans. Count Katsura's so-called "war" Ministry continued in office until the conclusion of peace, in spite of all votes of censure passed in the House of Repre-

sentatives during its four years' life. The manner in which the Japanese nation expressed its resentment at the terms of peace paved the way for resignation, since by resignation an open acknowledgment of failure is conveyed in Japan. This was all that was needed to bring the civil element once more to the front, and Marquis Saionji, who had some time previously been made leader of the *Seiyukai* political party, *i.e.* Marquis Ito's party, stepped naturally enough into Count Katsura's place. Whilst there was thus a nominal change of government, it was quite superfluous to announce, as it was announced, that there would be no change of policy.

The formation of a new alliance with Great Britain was mooted as soon as President Roosevelt's invitation had been accepted by both of the recent belligerents, and the alliance was accepted as a guiding principle by all the *Genro* or Elder Statesmen, as well as by the actual Ministry in office, long before the general public knew that negotiations were going on. The strain which would have been imposed by continuing the late war indefinitely was so well understood, that Marquis Yamagata's departure from Tokyo for the front, whilst the Portsmouth negotiations were actually going on, was far more to explain personally to the Army Chiefs the decision which had been arrived at than to hold a Council of War which should decide whether further offensive operations would be successful or not. All, indeed, were of one opinion, and understood that, although the people would at

first express the strongest indignation at the line of action taken, the return of the army and the general circulation of information which had been carefully concealed for weeks would gradually remove that resentment. In other words, the people would gradually be instructed as to what had been done, and as to the reasons for doing it; and as this took place, an appreciation of what had been won for them would become general.

For although the fact has not been thrown sufficiently into bold relief, it is abundantly clear that Japan's progress has been made quite mechanically step by step. Every advance is followed by a period of careful entrenching and consolidating, during which great efforts are made to give mathematical accuracy to every calculation and decision. There is nothing very surprising or novel in this; it is but the national expression of the peculiar Japanese genius.

The first matter to be attended to, then, as soon as the terms of the Portsmouth Treaty had been agreed upon at Washington, was the taking of those steps which were deemed necessary to demarcate the grand lines of the Japanese position, and to ensure as well that the disastrous history of 1895 should not be repeated in either Korea or Southern Manchuria. That this history could be repeated in its entirety was of course impossible owing to the alliance with England, but still prudence demanded that no time should be lost in taking safeguarding measures.

Consequently Marquis Ito's Special Embassy to Korea was decided on, and at the same time Baron Komura, although he had not yet relinquished the portfolio of Foreign Affairs, proceeded to Peking. The immediate results were the Japan-Korean Convention of the 17th of November, and the Peking Treaty. In these treaties with two nominally independent countries, Japan arranged that the position which she had won on the mainland of Asia could be powerfully entrenched and made secure against all surprises. The fullest value had therefore been extracted from Korea and Southern Manchuria as a result of the war; the grand lines had not only been decided on but secured.

Here it is necessary to state that although these Seoul and Peking measures were ostensibly diplomatic arrangements dictated by common prudence, they had privately a special military character. For the military chiefs of Japan, in acquiescing in the immediate making of peace, had laid it down as absolutely necessary, in spite of the fact that the Anglo-Japanese Alliance appeared to secure Japan against a war of revenge for at least ten years, that certain steps of a military character should be taken. The lesson of rail-power had sunk so deep into the minds of the Japanese generals, that they were determined that from Fusan to the Liao river, and then right up to the Russian zone, both on the Korean frontier as well as in Central Manchuria, the control of all rail-power must lie absolutely in their

hands, and that it must be so improved and centralised as to become their mightiest engine of war. In this they were but taking a leaf out of the Russian book, for the performances of the much-derided Siberian railway, a railway which it was the foolish mode to laugh at during the war, had contributed more towards the unexpected truce than any other thing. Once a lesson is learned by the Japanese it is never forgotten.

Most important then, as the indirect result of these Korean and Chinese agreements, was the fact that the entire railway system in both Korea and Southern Manchuria passed under the control of the Tokyo Ministry under any guise which was deemed advisable. As a result of the Railway Nationalisation Bill, the Seoul-Fusan line has already come under the direct control of the Japanese Government; the Seoul-Wiju line, being a military railway of standard gauge, no change of name or of control was needed. Following this, the bridging of the Yalu was decided on; the conversion of the Antung-Moukden Décauville railway to a standard-gauge railway directly uniting Korea with the capital of Southern Manchuria, Moukden, was facilitated by the Peking agreement; the linking up of the Chinese railway, whose terminus is at Hsinmingtun, with the main Manchurian line was likewise arranged by the same agreement; and, finally, the captured Russian line was turned over to a somewhat remarkable Chartered Company, quite recently organised under

Imperial Ordinance, as the Southern Manchuria Railway Company.[1]

[1] The latest available information points to the fact that the entire railway system of Southern Manchuria (together with the various captured Russian mines) is to be consolidated and organised by the Japanese Government as "The Southern Manchuria Railway Company." The capital is to be fixed at the excessive figure of Yen 200,000,000 (say £20,000,000), this procedure being adopted so as to ensure that the whole concern shall remain absolutely in the hands of the Japanese Government, whilst its ostensible character is that of an ordinary chartered company. Thus the share of the Japanese Government in the total capitalisation is one-half, or Yen 100,000,000, this value being represented as follows:—

	Yen.
(*a*) Cost of railways taken over from Russia, exclusive of rolling-stock, and of the Antung-Moukden military line (*i.e.* 523 miles at Yen 100,000 per mile)	52,300,000
(*b*) Value of the Fushun and Nentai mines . .	30,000,000
(*c*) Properties attached to the railways . .	17,700,000
Total	100,000,000

The remaining Yen 100,000,000 is to be subscribed by the public in the form of shares of Yen 500 value each, only Japanese and Chinese being eligible as shareholders. But as this sum of one hundred million yen could never be raised in the Far East without something very surprising occurring, the Japanese Government is adopting an ingenious procedure. Only ten or twenty per cent of the face-value of the shares publicly subscribed need be paid up, and on this small paid-up amount the Japanese Government is to guarantee six per cent interest for a period of fifteen years. As the ten or twenty million yen thus subscribed by the Japanese public (it is impossible to imagine that Chinese individuals will invest their money) will be entirely insufficient to restore the Manchurian railways and to introduce all the strategical improvements now deemed necessary, a foreign loan will be floated. The amount of this loan will be the difference between the actual paid-up value and the nominal face-value of the public share subscription. [That is, if the public are called upon to pay up twenty million yen on the stock having a nominal value of one hundred million yen, there will remain eighty million yen not paid up. This will be the amount of the

This Company, although nominally a company with an indeterminate share capital, is to all intents

foreign loan, which will be secured as a first charge on the whole concern.] Thus the Japanese Government will have one hundred million yen in cash to spend on the improvement and military organisation of the Southern Manchuria railway system. This sum will be dealt with as follows, according to the latest reports:—

	Yen.
(*a*) Improvements and repairs of the main line—Dalny to Changchun	28,000,000
(*b*) Improvement of Dalny Harbour	5,000,000
(*c*) Doubling of the track from Dalny to a station south of Moukden	9,600,000
(*d*) Extra capital for Nentai and Fushun coal-mine development	4,000,000
(*e*) Building of warehouses	8,000,000
(*f*) Capital for a branch business (commission-selling of goods carried by the railway)	2,000,000
(*g*) Capital for development of water-transport to feed the railway (*i.e.* Liao river and sea-going steamers)	10,000,000
(*h*) Conversion of the Antung-Moukden railway to standard gauge	22,000,000
(*i*) General cash reserve	11,400,000
Total	100,000,000

It will be noticed that in this list, which is now considered authoritative, there are two extraordinary items. The first is the large sum of money set apart for "commission sales," and the second is the heavy expenditure authorised for the building of shipping. The explanation of the first item is to be found in the fact that it is apparently the intention of the Southern Manchuria Railway Company to indulge in trading, having special reference to the great bean and bean-cake industry of Manchuria. The Company will buy and sell and attend to all details regarding collecting, transporting, financing, and shipping. Imports landed at Dalny, Newchwang, or Antung will be taken charge of, if necessary, by this remarkable concern, and transported and then sold in the first market. Railway rates are to be merely nominal. The possession of the rich Nentai and Fushun coal-mines apparently makes it necessary for the Company to build and equip an important

and purposes an offshoot of the Japanese Ministry of War. During times of peace it will be eminently fleet of colliers, which will attempt to secure a monopoly in the Yangtze valley in coal. Colliers will leave Dalny every second day and steam straight to Shanghai, some landing their cargoes at this rich emporium and others making their way up the Yangtze. The setting aside of Yen 8,000,000 for the building of warehouses along the various railway lines will permit of huge permanent structures being erected. These additional godowns, supplementing the great number of structures put up by the military during the late war, will make it possible for the Southern Manchuria Railway Company to become the sole warehouseman of the entire Fêngtien province of Manchuria. Japanese banks are being opened in many of the important Manchurian towns, and therefore with financing, warehousing, transport, and shipping in their hands, the directors of this Company will be able to do much as they please. The Company will ultimately employ some 20,000 Japanese, and when to these numbers are added the families, dependants, and others who are even now flocking over, the chief centres of Southern Manchuria will be as infested with as doubtful an overseas population as are the chief towns of Korea. Curiously enough, the making of large profits is by no means counted on; the first and only desideratum would appear to be the acquisition of an impregnable position. Thus it is calculated that even in ten years the net profit will only be £400,000 per annum, and this in a Company capitalised at £20,000,000 sterling. The completion of this scheme in three years' time will give Japan a virtual monopoly in peace as well as in war in Southern Manchuria, unless steps are taken to secure "the open door." For although a general Commission of eighty more or less distinguished men has been nominated by the Japanese Government, and is now sitting in Tokyo, thus giving the Company the appearance of a quasi-private concern, it is well understood that this nominal directorate is entirely in the hands of the government, and indeed only forms a new species of government department. The Chairman was in the first instance a no less distinguished personage than General Baron Kodama, Chief of the Great General Staff, and the true brain of the Japanese army. His unfortunate death has been a terrible blow to the plans of the Japanese Government, for nobody can be found to fill his place on the directorate of "The Southern Manchuria Railway Company" who will so well understand the peculiar requirements of the situation.

peaceful in both occupation and aspect, but in the event of war a few strokes of the pen will suffice to make it a purely military line. According to some authorities, although the details have not been entirely settled at the time of writing, the total mileage of the Central Manchurian railway and its branches—say 486 miles—now in Japanese hands cost some 76,000,000 roubles to construct, and therefore permits the Japanese Government to assess its interests in the undertaking at Yen 70,000,000. As the valuable Fushun coal-mine belongs to this railway, it is hoped that a very heavy capitalisation can be made. This capitalisation—Yen 150,000,000, or say fifteen millions sterling, is already spoken of—to which only Chinese and Japanese will be allowed to subscribe, will make the whole undertaking possess a very privileged character. The change of gauge, however, will alone cost twenty-five million yen;

The position by 1910, however, will, notwithstanding all hitches, be this: the network of railways will be complete, making it possible for the government of Japan to mass, if necessary, a million men north of Moukden in twelve to fourteen weeks, whilst two million men could be fed without difficulty from the three railway bases of Newchwang, Dalny, and Antung. In times of peace this system will be exploited for the sole advantage of the Japanese, and therefore during peace as well as during war a powerful weapon for helping the material advance of Japan on the mainland of Asia will be available. It is the vague comprehension of all this which is rapidly alienating all European (including British) sympathy in the Far East, and inclining people to condemn more and more bitterly President Roosevelt's untimely intervention. It is plain to see that the Southern Manchuria Railway Company is to occupy in Manchuria much the same position as the Residency-General does in Korea; that is, it is to be the weapon which is to complete in peace what it was found impossible to perform by means of war.

in the same official estimates it is stated that five millions more will be needed for the improvement of Dalny harbour; two million yen are required for station improvements; five million yen for developing the coal-mines; and a further twenty millions are spoken of as necessary to convert the Décauville branch line to a standard-gauge railway.

It will thus be seen that the Japanese Government has to face an immense expenditure before it can solidify the railway system in Southern Manchuria alone, and when it is remembered that the prolongation of the Korean railways to the north-east—*i.e.* towards the Tiumen river *via* Gensan—is also considered a military necessity, it will be understood that this quasi-military railway programme in the highly important corner of East Asia now under Japanese control involves disbursements of a most serious character. Unflinchingly will these be made, although a former Japanese Vice-Minister of Communications has already published calculations showing that the net profit of the Southern Manchuria railway, when all improvements have been made, will be considerably under a million sterling per annum. The fact, also, that the Russians intend to make Kuan-Ch'êng-tzu (Changchun) the absolute terminus to the Japanese system, and to cut off all traffic there by placing prohibitive freights on through goods, makes the earning power of the railway still more questionable.

Nor will the position in the Kuantung leased territory be any less curious. It is evidently to

become far more a Japanese preserve than it was a Russian preserve even in the halcyon days of the Alexeieff *régime*. The Japanese command of the sea and the occupation of Southern Manchuria in a form which can immediately be made a military occupation when necessity for such action arises, does away with the need — for the time being at least — of Port Arthur being a great fortress. Already it has assumed the aspect of a second-class naval base. The ruined forts of the great main *enceinte* lie exactly as they were left when the surrender was made; nothing has been done except to remove the cannon. Only the sea-forts are being re-armed so as to give a sense of protection to the dockyards and engine-shops which crouch behind the famous narrow entrance; and the Chinese, having no longer any trade inducements to keep them where they once made such fortunes, are evacuating the place as quickly as possible. Japan has no use for such people, and the fact is soon appreciated by them.

In Dalny similar changes are being made. The Russian buildings are being improved, a very large number of new buildings and warehouses are to go up, and the town will soon be cleared of all Chinese, owing to the operation of an order which denies them the privilege of staying in the streets they now occupy. There is something very German in all this, for as at Kiaochow the Japanese naval-military programme is made to embrace and give support to the industrial-commercial scheme.

There is a reservation, however; it is that the Japanese, unlike the Germans, are under no necessity to employ Chinese or to invite their co-operation in developing work by inducing them to establish themselves as traders, shopkeepers, and men-of-all-work. The Japanese in fact sees in the Chinaman only a competitor who is so skilled in the handling of moneys and in general buying and selling, that his presence in large numbers would upset the hope that large Japanese colonies can be made to thrive far away from home. In polite ways, therefore, the Chinaman is being shown that if he is not actually superfluous in the leased territory, he at least cannot count on making any money. And this is the death-blow. It may therefore be assumed that Dalny, already rechristened Tairen by the Japanese, will soon be a purely Japanese centre, determined, if such a thing be possible, to divert all Manchurian trade from the port of Newchwang.

In furtherance of this idea, the railway rates are to be so arranged that it will be as cheap to land at or ship from Dalny, as to land at or ship from Newchwang, although there is a long railway haul down the Liaotung peninsula to be taken into consideration. A great effort is also going to be made to develop the railway coal-mines on an enormous scale and to make of Dalny a Swansea of the East. Since the Japanese Government has a practical monopoly in coal-mining in Southern Manchuria, she can act in this matter as she pleases, and make the local population pay for the develop-

ment of a port which has the same fascination for the Japanese as it had for the Russians.

In the important lumber industry of the Yalu, what is virtually a monopoly is already in danger of being created. Under Baron Komura's Peking agreement a Chino-Japanese Company was to be organised for the exploitation of this industry, but so far the Chinese have taken no action, and Japanese lumbermen and Japanese sawmills are actively engaged in securing the whole field for themselves. The plans on the Yalu are, however, still indefinite, owing to some hesitation on the part of the Japanese as to whether they will be permitted to carry out their aims in this important region. So far there is absolutely no Chinese control there, and in spite of the fact that more than half a year has gone by since the signature of the Peking Treaty, there is no sign of a Chinese custom house at the open port of Antung. The port being very conveniently situated on the Korean frontier, Japanese are streaming across unchecked into Chinese territory, and importing into the country quantities of goods duty free. This is the same policy which is still being pursued at Dalny in spite of the most energetic protests from the great European commercial centres in China. It is hoped, that if time can be gained, the footing which Japanese traders will have secured will be sufficient to enable European and Chinese competition to be faced. Long before the end of the war, the Japanese Government, in spite of its categorical

denial of the fact, permitted ordinary Japanese traders to come into Manchuria *via* the Yalu as they pleased. There were fully 4000 Japanese at Antung before peace was declared, whilst an important community existed as far inland as Fenghuangch'êng. These details need emphasising in view of the lame explanation given that all these people were civilians connected with the army, and that ordinary traders were prohibited from entering the war-zone. This was only true of the country north of Moukden, where warlike operations necessitated the most absolute secrecy.

The activity of this Manchurian movement is not being directed only by the policy of the Japanese Government; the great merchant and shipping firms, whose connection with their Government places them in a favourable position, are also doing their utmost during the eighteen months of the evacuation period to help the smaller fry. The Yalu trade is being specially pushed, it being alleged that as Russia in Northern Manchuria has a treaty right, given her by China years ago, to send goods fifty kilometres across the frontier without payment of duty, Japan should exercise the same right on the Yalu. A very powerful Japanese firm belonging to the Mitsui group has made a special arrangement with some of the small Japanese textile manufacturers to handle free of charge and free of commission a large quantity of piece-goods yearly for a short period, so as "to make a market" for them in Southern Manchuria. The greatest sufferers from the pursuance

of this policy will be American cotton manufacturers, who have hitherto supplied most of the piece-goods to Manchuria, and whose agents in China are already suffering acutely from this sort of competition. Thus from the Anglo-Japanese Alliance to the present position in Southern Manchuria and Korea the inquirer may pick his way step by step.

For in Korea much the same methods as are found in Southern Manchuria are to be noticed. It is not to be doubted that if the present policy be continued, the important British import trade in the one-time Hermit Kingdom will soon cease to exist, and that Japanese manufacturers, helped in a hundred ways, will be able to stifle all competition. That this is entirely fair, or in strict consonance with the much-advertised principles of "the open-door" and "equal opportunities for all," not even the greatest admirer of the Japanese will allow. Yet diplomacy can effect so little once important privileges have been surrendered for largely fictitious benefits, that in spite of the many despatches which it is understood in the Far East have already been addressed by the British Government to the Japanese Government on these important commercial and industrial questions, little improvement, if any, has been discerned during recent months. With the position in Korea and Southern Manchuria fully secured for the time being by special agreements extracted *nolens volens* from the Courts of China and Korea, the Japanese Government is practically at liberty to act as it may please. Already signs are to be seen,

now that M'Leavy Brown Customs Administration has been practically abolished in Korea (although many of the subordinates of the British *régime* are still retained for the sake both of appearance and of simplicity), that the customs tariff will be amended to suit Japan's trade in Korea; and although such a policy is of course impossible in Southern Manchuria, the opening of Chinese custom houses is being delayed as long as possible so as to facilitate the planned commercial conquest which comes as a natural aftermath of the war. The redemption of Japanese war-notes in Manchuria, a paper money which has already caused much trouble, is being very slowly carried out, and many millions of this paper are still in circulation. Whereas these notes are nominally redeemable on presentation, experience has proved that such is not the case, and that when large amounts are involved the Japanese Government agents delay redemption, only facilitating it when drafts on Japan or the purchase of large quantities of Japanese goods make such transactions beneficial to Japanese development plans. Thus in Southern Manchuria, as in Korea, the Japanese have been undoubtedly seeking to secure that the circulating medium is one of their own making, since the most important Japanese exchange bank has now made arrangements to issue new dollar notes on a vast scale, so as to have a substitute on the market when the war-notes have been finally withdrawn.

Secure as possible, then, from the railway, the

commercial, the industrial, and the financial points of view, in both Southern Manchuria and Korea, the Japanese Government is giving great attention to the military scheme. Under the terms of the Portsmouth Treaty, Japan may station permanently in Southern Manchuria railway guards to the number of fifteen for every kilometre of railway. There are at present 782 kilometres of railway in Japanese hands in Southern Manchuria, and on this basis Japan may maintain just about the peace strength of one division of her army—to be exact, 11,260 men. Additional branch lines will mean additions to these figures, and as it is understood that a second division is to garrison the Kuantung leased territory, it may be assumed that Japan will have permanently in Manchuria 25,000 men. The whole of this force will be under the immediate command of a high military officer resident at Port Arthur. At first it was proposed to give this officer the title of Governor-General or Viceroy, but owing to the fact that an understanding was arrived at with the Russians that neither one of the rival Powers might use this title in any portion of Manchuria, the name Military Governor or Commander-in-Chief will be substituted.

In Korea there will also be a permanent garrison of about the same strength—two divisions. Thus during the whole term of the Anglo-Japanese Alliance, Japan will maintain 50,000 troops in the occupied territories, and by calling out the reserves of these divisions, she could quietly, at a moment's

notice, raise these numbers two- or three-fold. It is extremely interesting at this point to glance at the possible function of these forces, in the event of a crisis arriving with Russia.

The terminus of the Japanese railway system on the great plain of Central Manchuria is the important town of Kuan-ch'êng-tzu (Changchun). Here the Japanese frontier or railway guards will be in immediate contact with Russian railway-guarding forces. To the west are the rolling grass-lands of Mongolia; to the immediate east the difficult country of the southern Kirin province. It would require a very rapid movement to be secure here, for Kirin city, eighty miles to the east, is the key to the upper Sungari; and an enemy would be very much on the look-out in this quarter. Consequently, as to the south-east of Kirin city lie the formidable Chang-Pai-shan, or Ever White Mountains (which form an impassable barrier), attention is already being directed to another way of approaching the upper Sungari. This road into Eastern Manchuria exists. It is in a district named Han-do, on the extreme north-west frontier of Korea.

A glance at the map is here necessary. The Tiumen river, which has for watershed the eastern range of the Ever White Mountains, is the commonly accepted boundary of Northern Korea. Flowing almost due north for a hundred miles or more, it reaches On-Sŏng seventy miles from its mouth, only to bend sharply to the north-east, then to the east, and finally to the south-east. It thus

encloses in a loop the extreme northern districts of Korea, and separates them from the Russian Pacific Province, or the Primorsk, and from Manchuria. But there is one important consideration. At the strategic point of On-Sŏng the Tiumen divides into two streams, the southern one retaining the name of Tiumen, whilst the northern is called by a Chinese name which transliterates as "Hailan." Owing to an arrangement made long ago with the Korean Government by the Kirin Military Governor—a Manchu official residing at Kirin city—the territory between these two streams was neutralised as a buffer-territory, which no one was to occupy. Both Chinese and Koreans, however, have settled here and cultivated the soil and bred cattle. Frequent disputes have arisen in this matter between the frontier authorities, as a road leads straight from here through a narrow valley to Omoso, an old Manchu village on the highroad between Kirin city and Ninguta. It was this Omoso which was frequently mentioned when the late war was reaching its final stage, as being a place occupied by a Japanese force. Such was never the case then; in years to come it may be so.

It is from these regions that the advance of a powerful mountain force of the type of Kuroki's army would play the same weakening part as did the first Japanese army in the recent war; that is, by directly menacing the Russian flank, and thereby facilitating the main advance, which can only be

made along the Central Manchurian railway. The Japanese main camps in Korea are therefore likely to be in North-eastern Korea, and it is imperative then, from the Japanese point of view, that a coast railway from Gensan, as soon as this latter port has been connected with the main railway—the Fusan-Seoul-Wiju line—be continued to the Tiumen regions. It will be interesting to watch when the construction of such a railway is begun, since from Northern Korea the key to the Sungari may be gained and Vladivostock isolated. Southern Manchuria and Korea are therefore, strategically speaking, bound together, and have the highest importance when considered in conjunction with one another. They form, or will form, bases from which operations on a vast scale can be conducted in perfect safety, now that the command of the sea is assured to Japan for some years to come.

To facilitate this, a considerable—perhaps it would be advisable to say a momentous—increase in the Japanese army has already been decided on. It is reliably stated that, as a first measure, the term of service in the infantry is to be reduced from three years to two. It was found in the late war that a shorter period was quite adequate, and that young recruits with but six months' training made admirable soldiers. The number of divisions in the Japanese army is to be raised to twenty, exclusive of the guards, the total complement thus becoming twenty-one. Prior to the war these divisions numbered thirteen only; an increase of four divisions was

made during war-time, and four more will now be added. The increase in the cavalry, if preliminary reports are reliable, is to be still more remarkable. It is stated that the cavalry establishment is to be raised to eight independent divisions, which, in view of the fact that hitherto the Japanese cavalry has consisted solely of one strong brigade of approximately 6000 or 7000 sabres, means a sixteen-fold increase. The fact that a new stud movement has begun in Japan, aiming at breeding a heavy cavalry horse to replace the present weedy type of animal, undoubtedly lends colour to this statement, since many millions of yen are to be spent on stud-farms, on the purchase of stallions, and on the compulsory covering of all Japanese brood mares during the next few years.

The creation of this imposing cavalry force will remove a great weakness from the Japanese army, and make the mounted army have great offensive possibilities. A Japanese field force of 50,000 or 60,000 sabres would be able to cover the western flank of the Japanese zone in Manchuria, and allow Eastern Mongolia to be overrun. In other words, one of the greatest weaknesses disclosed at the Japanese front, when the armistice was agreed upon, will be removed, and Japan will be in a position, if her cavalry plans are carried to a successful completion, to menace Russia in Northern Manchuria from an entirely new quarter—that is, from Eastern Mongolia. It is significant that Japanese writers have recently dwelt much on the

A NEW KRUPP BATTERY IN ACTION, ARMY OF THE NORTH.

[*Face page 244.*

military importance of Mongolia. They believe that the power that dominates inner Mongolia may do great things.

Next we come to the new heavy field artillery, a force which has hitherto had no existence in the Japanese army, since the field artillery have all been armed with light weapons. During the war batteries of heavy guns had to be improvised in any way which appeared suitable, and had it not been for the capture of Russian guns and the manner in which the sudden termination of the Port Arthur siege permitted the employment of special siege artillery at the battle of Moukden, this lack of suitable weapons might have had unfortunate results. It is now contemplated to raise ten brigades of these new artillery, which would represent a force of some 300 guns. The calibre of the guns is to be very heavy, and in this force the Japanese army will have a most powerful ally.

The battalion strength of the engineers is also to be increased. It is stated that this branch will have its numbers trebled or quadrupled, whilst the land transport is to be similarly increased. Further, one regiment of horse artillery is to be attached to every division, making twenty-one regiments in all, whilst a balloon corps is to be similarly attached to every unit. Finally, telegraph and telephone battalions are to be organised in numbers far in excess of those found in European establishments. It is also proposed to increase the number of rounds of ammunition allowed to field-gun artillery, to re-arm

the artillery, and to give a larger calibre to the infantry rifle. It will thus be seen that every matter is to be thoroughly dealt with.

This enormous army reorganisation scheme will involve a very great expenditure, but an indication that it is already actively proceeding is to be seen from the fact that it appears to have been definitely settled that a division shall cease to be the major unit, and that this shall now be an army corps (*Gundan*), composed of two or three divisions and various special corps. The peace strength of a Japanese army corps will therefore be approximately 25,000 or 35,000 men, whilst on a war footing these numbers will be nearly quadrupled.

It will be seen from this short statement that, during the term of the Anglo-Japanese Alliance, the Japanese army will reach a strength which will give it immediately on mobilisation one million men, whilst a further mobilisation of all classes of trained reserves will probably provide an additional million men. During the late war Japan called to the colours nearly a million and a half men; in less than ten years' time her war strength will be exceeded only by that of the armies of Russia, Germany, and France.

The Japanese Navy shows a similar remarkable advance in strength in armoured vessels and in powerful modern destroyers. A glance at one of the appendices shows that an offensive force will exist by 1907 or 1908 which will have great possibilities. In a word, the strength of the navy has been

doubled, or is being doubled, in the same way as the strength of the army, and on sea as on land Japan will be able to face almost any power in the world in the East. Probably the British Navy is the only navy which would be able to detach a superior battle fleet for service in the Far East. France or Germany or the United States would have to employ their entire navies to have any chance of success against Japan on sea during the next few years. Until the completion of the new European and American shipbuilding programmes, England will thus remain the only Power which unaided could defeat Japan in Asiatic waters. That is a very important consideration.

The Japanese Government is indeed showing that it knows how to advance step by step. Thus from Southern Manchuria and Korea to the great Tokyo Departments, a close study reveals the wonderful manner in which everything synchronises, in which everything interacts and interconnects, in which preparation for the morrow is being made. Although the existing Japanese loans amount to about Yen 1,600,000,000, or one hundred and sixty millions sterling, it seems clear that these figures will be raised to Yen 3,000,000,000, or three hundred millions sterling, by the railway nationalisation scheme, the railway programme in Manchuria and Korea, and many other *post-bellum* works which are to be completed as rapidly as possible. It has been recently pointed out that the ordinary and extraordinary yearly expenditure of Japan (say Yen 500,000,000)

is twice as much as the total currency of the country, and four times as much as the reserve bullion for convertible notes. Yet whilst many productive works are being taken out of the hands of the people, there are no signs that the nation's wealth has been doubled in three years, as has the expenditure of the government. Still the government of Japan is not dismayed; it sees no reason why the national debt should not be largely increased, and Marquis Ito appears to welcome the fact that the nation's indebtedness will soon approximate that of Italy.

Little has been yet said about Japanese action in China proper. But in spite of the fact that the Japanese Government would appear to have its hands more than full in attempting to deal satisfactorily with Korea and Southern Manchuria, and in developing the grand re-organising movement which has been outlined, China is by no means forgotten. It would seem from surface indications that Japan is as yet undecided whether the New China will arise or not, and that, in common with everybody else, she is paying close attention to all the possibilities of the situation. Whilst Japan plays an important part in the fast-dissolving European concert at Peking—the relic of the Boxer year—her new position, given her by the signature of the second Anglo-Japanese Alliance, demands that she should in addition act the part of a special mentor. Whether this rôle of guide, philosopher, and friend suits her, in view of the position in Korea and Southern Manchuria, is at the moment difficult

to say. What it may lead to is also hard to conjecture, since the old and new policies to some extent overlap and clash with one another. There are so many inconsistencies and discrepancies that it is indeed hard to generalise. Whilst there are now no less than 14,000 Chinese students in Japan who are presumably studying in order to benefit their country later on, and are therefore being aided by the Japanese Government to the best of its ability, signs are not wanting to prove that, in China itself, Japanese, whose affiliation with certain bodies is not clear, are promoting an anti-foreign propaganda. That the Japanese authorities are in any way connected with such individuals it is not for a moment hinted; but the existence of these persons tends to prove the fact that they are working for somebody, and that a pure love for the Chinaman and his liberties is not their only motive. Reference is made elsewhere to this matter, and it is unnecessary to dilate here further on a subject of some concern.

The great aim of Japan is of course to find in China a market which will absorb an ever-growing quantity of Japanese manufactures; but statistics tend to show that the great treaty ports of China and their residents are in a position to face all fair competition without any anxiety for many decades to come. Quite unable, then, for the time being to divert trade from its old channels, Japanese competition is likely to be more severely felt on water than in the various markets of China. In other

words, Japan aims at becoming the common carrier on the Eastern Seas, and is already attempting to displace European and more especially British shipping. That she will succeed is very much to be doubted. The British shipping companies in the Far East have a most powerful backing, and can rely not only upon their own countrymen but on the Chinese as well. Established many decades ago, these companies have all the native shippers in China bonded together behind them and lending them active support; whilst in addition all the intricate financing is so arranged that it is impossible to say where British interests end and Chinese interests commence. Since the foreign banks—principally British, be it noted—have most of the liquid funds, they have the native banks their obedient servants in the matter of foreign trade, and this state of affairs reacting on the shipping makes it impossible for newcomers, unless they have vast sums of capital behind them, to destroy the old-time position.

The Japanese are, however, doing what they can, relying on the fact that their operating expenses are much smaller than those of foreign competitors. It is stated that a Japanese Shipowners' League or Trust is to be created with a capital of twenty million yen, which is to be doubled or trebled later on. It is proposed to organise the following steamship lines on such a basis that all competition will be beaten off. The lines are—Kobe-Otaru, Kobe-Saghalien, Yokohama-Moji, Yokohama-

Kushiro, Osako-Korea, Kobe-North China, Yokohama-North China, Kobe-Vladivostock, Kobe-Tairen, Kobe-Formosa, Kobe-Shanghai, Shanghai-North China, Shanghai-South China, Chefoo-Vladivostock, Yokohama-Philippines, Japan-Indo-China. On these lines 132 steamers (282,747 tons) will be employed, including 56 vessels of over 1000 tons each, 55 vessels of over 2000 tons each, 18 vessels of over 3000 tons each, and 3 vessels of over 4000 tons each. Later on, if this programme proves feasible, more shipping will be thrown into the China coasting and riverine trade to "feed" the lines which cross the China and Japan seas.

With a powerful government gathering everything into its hands and assuming control of all the productive works; with a policy of entrenching being carried on night and day in Korea and Southern Manchuria; with a great army and a powerful navy rising as if by magic; with shipping subsidised and organised, and every industry and bank closely overseen; with every incentive being given to the Japanese people to fall in with this grand idea—Japan marches on her way, perfectly secure for nine years, thanks to the Anglo-Japanese Alliance.

And this Alliance, what of it? It is hard to say. On closely scanning the three clauses of the preamble and the eight articles of the Treaty it is seen that the maintenance of peace in eastern Asia, the preservation of the integrity of the Chinese Empire and the defence of special

interests are the general objects; whilst the special one is to make England and Japan one nation in the event of war being provoked during the term which ends in 1915. Korea is also handed over to Japan, whilst the signatory powers may take such steps as they deem advisable to protect their special interests. But in all this there is little to advertise the fact that the Portsmouth truce was really made in London; that the progress of the war was arrested in a manner dangerous to the future welfare of the British Empire. The Alliance cannot continue for ever; some day it must cease. What then will be the effect on the great Japanese machine which is being so wonderfully constructed; what will be the end of the present truce? That is the great interrogation, and it is one which most men in the East would hardly dare to answer.

PART II

CHINA AND THE CHINESE

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[Facing page 255.

A Mass of Cavalry of the New Chinese Army.

CHAPTER I

IN THE CAPITAL OF CHINA

In order to understand the immense gulf which now separates Japan from China—in order to understand how the Japanese programme, to which such exhaustive and critical reference has been made, actually clashes, and may be counted on to clash still more, with the expected settlement of the Chinese question—it is necessary to come from Japan to Korea; then to study Korea; to cross the Yalu; to creep through the remains of the Japanese military system into Southern Manchuria; to go down into Dalny and Port Arthur; to journey back to Newchwang; and then, crossing the muddy Liao river, to enter Chinese territory, which, having been neutralised during the war, is still the same as it always has been. Then, finally, your travels must end in Peking itself. That journey alone is better than the study of a hundred volumes if you have eyes and ears endlessly at work; it is an immense education compressed into a few weeks of discomfort.

For step by step you discover and account for every point of interest. In Japan the great engine works so smoothly midst charming landscapes that

its power is not plain. In Korea the limitations of the machine are startlingly illustrated—limitations which are the result of national characteristics rather than of any inherent defects in the machine itself. Above all, the powerlessness of Korea, except in a certain irritating *vis inertia*, is apparent to you; doubtful qualities, too, in the Japanese character stand revealed; the false steps which have been taken strike the eye just as much as the benefits which have been accrued—briefly, the Korean problem and tragedy are there as plain as daylight.

Once across the Yalu, after these experiences, there is an odd shock. Separated by a trifling stream from a perplexing problem, there is now before you a big country of big men and big things—immensely big indeed does it all seem after the narrowness of Korea. No matter how familiar these northern Chinese may be—even though they be something in the nature of one's own people—the passage of that frontier river must always surprise. First it is perhaps because the life by rule of thumb has disappeared, and that politeness is no more the order of the day, hiding and delaying many things beneath its smooth surface. An entirely different race of men, in spite of their consanguinity with the Japanese, are before you; a race that has somehow more *savoir vivre*, a race which can never strike you as being a nation which is concealing an immense plot. It has been estimated that three-quarters of the people who go to Japan actually like the people and are charmed with the country, but that the

other quarter—the opposition which must exist—not only dislike the Japanese, but believe in the "Great Plot" which is from time to time revealed in the columns of a certain portion of the world's press as being the Yellow Peril. That there is no "Great Plot" is absolutely certain; yet there are many other things.

With the Chinese the case is quite different. The same disapproving minority may dislike and even hate the Chinese, but they seldom suspect that the Chinaman is any more than he appears to be on the surface, although he often makes trouble for himself by going into frenzies of rage or otherwise exhibiting certain national failings. That this impression of the northern Chinaman is just, is proved by turning to campaigning volumes of distinguished men who crossed the Yalu immediately after General Kuroki's victorious action of a couple of years ago. Such a soldier as General Sir Ian Hamilton meets a Chinese general of the old school, and immediately says that "certainly the Chinese are much easier socially than our friends the Japanese." He is further pleased to give his general views as follows:—

"I have now met several leading Chinamen, and if the General and the Magistrate are exceptionally good fellows, there is not one of them that fails to strike me with surprise by his cleverness and efficiency. The farmers about here and their dependants, wives, womenkind, and children, are the most admirable people in the world, as far as I can

judge. They are, in fact, a startling revelation, and I have a feeling in their presences as if I had all my life been systematically duped and misled by the stereotyped European and American delineation of the Heathen Chinee. As far as I can remember, with the exception of Vincent, who was in Peking and loves them, every one dismisses them with a couple of words — dirty devils, beastly swine, or something of that sort. Possibly the Manchurian Chinese are a different kind. It seems impossible that these dignified, clever, often noble-looking men, and these sensible, practical, hard-working women, should have served as the originals to the Chinese depicted in western literature. I admit that some of their habits are dirty. They keep the inside of their houses neatly enough, although doubtless far below the Japanese standard, but one yard outside the door is as good as a mile to them from the sanitary point of view. Otherwise I can only discover in them qualities so admirable that they fill me with alarm when I think how far we have fallen behind them. To me these northern Chinese are an astounding set of fellows. I have never in my life imagined a set of people so passionately, feverishly devoted to work. There is no eye-wash here; no extra efforts under the eye of master or mistress. All have some share in the profits, and they all of them put their backs into what they have to do as if their very lives depended upon it. Energy is only half the battle; these men and women possess high individual intelligence to guide

that energy. To be realised, their farming must be seen. Such furrows! Such promise of crops, with each sprouting corn-stalk tended like a rose-bush in the garden of a duchess! And all this energy, strength, and intellect available for about tuppence ha'penny per diem!"

Thus does the passage of the Yalu immediately impress a distinguished soldier, and in the volumes of other good men exactly the same set of impressions have been aroused. It is clear, then, that there is a peculiar meaning in this, and that in such words there is something which partly explains the impossibility of China and Japan coming to a permanent understanding unless programmes are changed.

As you move forward—by military railway, by road, and by the captured Manchurian trunk-line—a new impression will creep up. It will be at once irritating and explanatory, for it deepens and becomes more pronounced the more you ponder over it. It is the effect produced by the imposition of the Japanese system on this territory belonging to another nation, a nation which has such great and really superior qualities in spite of all the present decay. In Dalny, Port Arthur, and even in Newchwang, there is the same jar; and when at length you enter a purely Chinese train on the right bank of the Liao, and the Chinese system untouched meets you, there is immense relief. No matter what your treatment has been amongst the Japanese, no matter how courteous and really

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confirmed in her new position in Southern Manchuria and in the Kuantung territory, and in addition some minor privileges were exacted which tended to confirm China's fears. The military railway linking Korea to the great Liao plain was to be converted into a standard-gauge railway which would remain in Japanese possession; the Yalu lumber industry was practically to fall into Japanese hands; the Chinese railway system was to be fused with the Japanese railway system in Manchuria; and certain other things were to be done. China had to consent to all this, because she did not wish a fresh question to remain entirely open on her hands whilst she was fully engaged with internal matters. For Peking had been none too happy ever since the bomb outrage on the Imperial Travelling Commissioners at the Peking railway station in the autumn of 1905, and it was noticed that Viceroy Yüan Shih-kai, who was one of the Chinese Plenipotentiaries, was careful all through the Japanese negotiations to have his residence guarded during the night by picked riflemen posted strategically on his roof.

It was with a sense therefore both of relief and of anger that the *post-bellum* Japanese negotiations were ended. The Peking Government was at length nominally able to go on with the work which it had set itself to accomplish. For in spite of many difficulties, a great number of new things had imperceptibly been taken in hand, altering materially the outlook. Progress had been made

since the beginning of the great war, and new ideas had been given effect to.

Thus, in addition to the important Lien Ping Chú, or New Army Council, a number of other advisory councils, together with new Government Boards, had been established in Peking. Councils for studying state matters and financial matters and reform matters had begun to justify in some small measure their existence. A Board of Constabulary, ranking with the other great Boards, had been organised to assure the safety of the sovereign against plots, and also of Peking generally. It had been decided, too, that the activities of the Board should be extended all over China as soon as possible, so as to make the new type of military police (*hsün ching*) the standard one. The Board of Commerce had also been much improved since its organisation; and a third new Board, the Board of Education, had been created, so that modern education in China might be properly overseen. Thus, although hampered in many ways and with many grave questions unsettled, the government in the capital of China had continued the new work.

All this activity has been reflected in the altered appearance of Peking. The unsightly remains of the Boxer year have been removed; streets have been metalled and cleaned; European carriages are beginning to replace Peking carts; and a hundred other little details strike the eye as outward evidences of the inner movement. Everywhere, indeed, it may be said that the new activity and

bustle, which Viceroy Yüan Shih-kai has inspired, is now evident in North China, differentiating it sharply from the rest of the country. The Wai-Wu-Pu has even decided to build a great two-storied Foreign Office of European architecture; the first railway to be built purely by Chinese engineers—the line leading from Peking to the Mongolian passes — is under construction, with funds drawn entirely from the profits of another Chinese railway; the abolition of the queue in the army has been seriously discussed; and many other things are to be seen and heard which show the change.

Yet it is of the highest importance to note that the grave internal questions remain practically unsettled; and this is why such a jarring note as is caused by the Japanese entrenching in Southern Manchuria can only be given scant attention. Every important official in the capital of China understands the new burden imposed by the presence of a second power in Manchuria; every important official who has been despatched to investigate points of friction has come back with much the same impressions as those to which prominence has already been given. But they can do nothing except bring a slight diplomatic pressure to bear. They know their weakness for the time being, and are therefore mainly anxious that it shall not be too greatly advertised. In less than ten years they believe that things will be different; they are doing what they have always done before — *they are gaining time.*

For there are still grave problems remaining in Peking, such as the question of the succession to the throne—a question which people too often lose sight of. The Empress Dowager, who is now considerably over seventy years of age, is still the sole autocrat, and is as jealous of her power to-day as she was twenty years ago. The Emperor Kuang Hsü—it is necessary boldly to state the fact—is impotent and can have no heir. His physical weakness must account for his effacement; no full-blooded, virile Manchu would otherwise tolerate this woman's interference, which has lasted so long. Since he is so weak physically, the Empress Dowager, in addition to her firm resolve to retain in her hands until the very last moment the reins of government, is reported to be devoting constant attention to the question of selecting a youth of Imperial blood and nominating him *Ta A-Ko*, or Heir-Apparent, as she did in the case of Prince Tuan's son before 1900, with such disastrous results. This makes the possibility of a *coup d'état*, such as that of 1898, always remain, and this is a possibility which no one likes to consider.[1]

There is also the Empress Dowager's conservatism to be remembered. Every reform in China has to be made in such fashion that it can never be recorded against the Empress Dowager

[1] It is reported in Peking that the choice of an Heir-Apparent is imminent. Four youthful Princes are understood to be candidates. Of these, Prince Tsai Ch'ên (son of Prince Ching), Prince Yü Hsin, and Prince P'u Kuang are the best known.

that she tampered with the structure raised by her Imperial ancestors. This must always be remembered; it is a most important point, and its crippling influence would be understood at once were the Emperor allowed to come to his own. For the Emperor, in spite of his effacement and reported weakness, might do great things if he had trusty advisers, and really ruled. A man, no matter how weak, can effect reforms in the government of an Asiatic country better than any woman, no matter how clever. In China, although the subject can only be discussed in whispers, the officials resent bitterly the woman's rule of to-day.

In Peking there is not only this great question, but another hardly less important. This is the curious rôle which Viceroy Yüan Shih-kai now plays in regard to the Central Government—a rôle which may be necessary for the moment, but which has certain elements of danger in it. The Tientsin Viceroy may be said to-day to be the virtual referee in every matter of importance, overruling with his decision all other decisions, and compelling action to be taken along certain lines. Thus while the Peking Government nominally attends to all details, it is the opinion of the Tientsin Viceroy which is privately sought by members of the Grand Council whenever there is doubt or a conflict of interests; and it is this opinion which carries more weight with the Empress Dowager than any other.

The natural result of this state of affairs is that Yüan Shih-kai's nominees now fill many offices in

North China, and that some of his *protégés* have been pushed forward with really exceptional rapidity. The case of T'ieh Liang, a Manchu official, is a brilliant example of this.

Four years ago T'ieh Liang became interested in the new military movement. A year afterwards he was appointed Imperial High Commissioner to visit the Yangtze provinces, and there to raise special funds for the new Army Council. He succeeded well and brought back immediate contributions amounting to about a million sterling. After this he was appointed, through Yüan Shih-kai's influence, Director-in-Chief of the Army Council, and a little while later he was promoted to be Manchu President of the Board of War. Then, after a lull, he was transferred to the Presidency of the Board of Revenue, and quite recently he has been made Imperial High Commissioner of Customs.

The inner meaning of these curious manœuvres is plain. Being one of the strongest men of the Yüan Shih-kai party, he stands for the Tientsin Viceroy's programme, and has now control over the general finances of the Empire. Having a full knowledge of the new military requirements, the upkeep of the new armies is assured to Yüan Shih-kai so long as his nominee is not displaced.

In every department of the Central Government the Tientsin Viceroy acts in much the same way. The result is that he has to-day many friends and supporters, but also many enemies, who will leave no stone unturned to displace him when a pro-

pitious moment arrives. This adds a new danger, although there has generally been one leading man of the Yüan Shih-kai type at all periods of Chinese history. But there has never before been a man who has controlled such a force as seven divisions of good troops without curious results. Yet it is unwise to say there is danger in it, for this strange power has been more provocative of real reform than anything else, and Yüan Shih-kai deserves to be better spoken of to-day than any other living Chinaman. It is he who is promoting with his own force of will the reform of China along the lines of least resistance. If he loves his country, as men say he assuredly does, he is acting as wisely as he knows how in the existing circumstances. For the circumstances are most peculiar, and time does nothing to abate that peculiarity. There is an immense force of conservatism to be overcome; there are thousands of men of the old *régime* of Chinese officials who must never be so alarmed as to turn their present neutrality into open enmity; there are tens of thousands of irresponsible and undisciplined students who must be encouraged and yet rendered innocuous; there is a shortage of funds on every side; there are indemnities to be paid and new ways and means daily to be devised; there are two hostile powers entrenched opposite one another in Manchuria who are seeking to become stronger and to insure themselves against surprises; in a word, there is no end to the general and specific matters which have

to be dealt with in Peking. It is but natural that a strong man should come to the front; it is but natural that he should seek to strengthen his country's position in any way he deems feasible. That he understands that outer problems must one day be attended to is certain; the present truce gives him, however, breathing-time to promote the all-important internal movement which must be the forerunner to other things. It now becomes necessary to consider the movement which is going on all over the country in China, since this movement, if it becomes strong enough, will provide the only true solution of the problem of the Far East.

CHAPTER II

CHINA FOR THE CHINESE: (*a*) THE GOVERNMENT MOVEMENT

IT will have been understood, from what has been written, that a serious movement is in course of development in China—a movement which, although it may be hampered by a thousand general difficulties and a hundred specific quasi-foreign ones, can never be arrested. The great movement of "China for the Chinese" has actually begun. Sometimes this movement is over-advertised by the Press and by private individuals, and tentative beginnings are too often described as solid results. Sometimes, again, scepticism springs to the front, and cynical people remember only that everything which China has attempted in the past has ignominiously broken down in the hour of need, because so-called reforms were simply superimposed make-beliefs hardly doing more than covering a small portion of the great decaying structure which, through the possession of certain hidden virtues, has managed to survive until this day. Both these views are necessarily incorrect, because they attempt to reduce to a few isolated sentences what

would require mammoth explanations, filled with eternal qualifications and no less curious reservations, to make clear.

Since people have neither the time nor the inclination to digest thoroughly the exact nature of this transient stage in which China finds herself, a few of the most important considerations—considerations which may bulk so large at any time during the present decade that they are really worthy of attention—are here referred to. The best and most convenient manner of dealing with this important matter is simply to recite as tersely as possible what the Chinese Government is doing at the present moment, what its plans are for the future, and what are the probable chances of success.

It will have been generally understood by now that the pivot on which the Chinese Government is attempting to turn from its old ways is the menace of foreign interference. The opinion, both in government circles and in student gatherings in China, is that China has lost so much that she can not afford to lose any more. During the past half-century the shadowy suzerainty which she exercised over Upper Burmah, Annam, Tonkin, Formosa, Korea, the Loochoos, has been replaced by the firm rule of other Powers. And apart from this, although the acute stage of the leasing of territories actually within the limits of the eighteen provinces of so-called China Proper appears to be over, European colonies, euphemistically named treaty

ports, cover the whole vast coast-line, go one thousand miles up the Yangtze, and threaten to make further incursions in every direction. Be the European gathering-place a leased territory, held for a long term of years, or merely a treaty port, it is, from the Chinese official and private point of view, much the same thing. For the European, even in the open ports, being under his own laws and regulations, thanks to the doctrine of extra-territoriality, builds for himself a castle which is seemingly impregnable. Should his rights be threatened, his Consuls will call his gunboats; if these are not strong enough to deal with a given situation, they soon prove to be only the advance-guard of battleships and cruisers; and soon, as a question reaches its crucial stage, treaty ports are converted into military *points d'appui* from which the machinery of whole provinces can be threatened.

Thus it is clear that, considered in its broadest aspect, the treaty port is almost a European colony from the Chinese official point of view. And when that colony has grown to such wealth and affluence as, for instance, Shanghai—which possesses to-day a foreign population of 12,000 people, and a gross value, thanks to the presence also of half a million Chinese residents, of about one hundred millions sterling—it has such powers and can command so much public opinion that it is a republic in itself.

The first problem, then, which to the Chinese Government appears of crucial interest at the present moment, if the policy of "China for the Chinese" is

not to remain a mere phrase, is to limit the immense latent disintegrating power which the ordinary treaty port possesses, and to regain by so doing something of the government's lost authority. The number of treaty ports in China at the present moment is, on paper, about sixty. In this total are included all those places which have been actually opened, are in process of being opened, or will shortly be opened. The majority, of course, will have no importance for many years to come—that is, until railways and the general development of the country invite Europeans to reside in large numbers even in the most uncongenial spots. But a certain proportion of these places have already attained to some influence; and following hard on the footsteps of Shanghai are, for instance, Hankow and Tientsin, both of which, already possessing good railway connections, will tend to expand with ever greater rapidity. In all, it may be said, there are now a dozen towns in China which give promise of becoming during the next ten or twenty years wealthy and strong, the centres of a European civilisation, which, whatever its faults, is the brightest beacon in the East.

The Chinese Government quite naturally does not view these growing communities from an altruistic standpoint; it sees only, as has already been said, that if these communities expand in such fashion that in twenty years' time there will be one town of thirty thousand Europeans, two or three of ten or twenty thousand souls, a dozen with a couple

of thousands, and perhaps a hundred others with an alien population running into hundreds, the white man will be so powerfully entrenched, and will have such huge sums of capital invested, that all the governments of Christendom, in spite of their European feuds and rivalries, will have to take common action whenever a menace arises—just as they did in the now famous Boxer year of 1900. But there is another point. Not only will the European have become so powerful himself, but around him he will have gathered enormous and ever-growing communities of Chinese, including all the richest and most advanced men in the whole Empire. These native communities, even though they are governed by their own laws—extra-territoriality, of course, not applying to them, although they reside within foreign Settlements—will be by that time so infected with a species of pseudo-Europeanism, since the Chinaman is at once the most adaptive and the most conservative of men, that they will be a source of trouble scarcely less embarrassing than their foreign prototypes. They will resist with greater and greater audacity the behests of their own officials; their capital being invested in industries and trades protected by the mask of the European Settlement, will be safe from all taxation; their goods, travelling by steamer and railway to other Settlements, will, as soon as the whole set of treaties, which it will perhaps be most convenient to name the new Shanghai Treaties, come into force, be no longer subject to illegal levies; their ancestral

homes will be gradually transferred to places actually within the limits of treaty ports, or in extreme proximity, because of the modern conveniences which are proving more and more attractive to the womenkind of China. In a word, a great movement will set towards those places where there are carriage-roads, good houses, excellent sanitary conditions, many amusements, and a thousand other things which, when once tasted, make the Chinaman contemptuous of the decay which has gripped his native cities, buried in the interior of China.

Hand in hand with this purely foreign (that is, European) menace, there is the danger, which undoubtedly exists, of the more intelligent portions of the Chinese population, comprising for the time, of course, only an infinitesimal proportion of the 432,000,000 inhabitants of the land, becoming so Europeanised in their ways and thoughts that they will tend to become more and more estranged from their government. The evil of the treaty port (for it is best at once to drop from all consideration the leased territories of Kuantung, Weihaiwei, Kiaochow, and Kwangchow-wan) is therefore a double evil which from year to year will become more and more difficult to deal with, unless Europeans can be absolutely convinced by the actions of the Chinese Government that they have already reached the zenith of their curious independence; and that, as reforms are introduced into the Chinese body politic, privileges, extorted half a century ago at the bayonet's point, will be reclaimed, and the

embryo republics forced to relapse into mere tradal gatherings.

To accomplish anything really substantial in this direction is at the present moment, be it frankly confessed, rather impossible work for the Chinese Government, so long as the main Chinese structure remains what it is; for so long as only partial and largely non-effective reforms are introduced, a policy of tinkering is all that can be successfully carried out. That is to say, whenever the European seeks to extend his rights and privileges, or attempts to push his borrowed authority beyond its strictly legitimate and clearly defined limits, the Chinese Government, having reason on its side, is able to place him in the wrong. Thus in the Shanghai Mixed Court dispute, an incident which provoked serious riots, the Chinese authorities, if they did nothing else, were able to show that the European was on extremely doubtful ground which could be cut from under him by a few sharp strokes. As this incident is typical of the class of dispute which is continually occurring between the Chinese authorities and those of the European treaty port Settlements, it is interesting to show in very few words how it arose, as an illustration of the extraordinary complexity of the situation in China itself.

It is significant that a missionary started the ball rolling 200 miles away from Shanghai. Noticing, during a dispute on a British-owned river steamer, that a Chinese woman was accompanied by a dozen small slave-girls, some of whom showed signs of ill-

treatment, this missionary despatched a private telegram to Shanghai which set the municipal police in motion. The police, furnished with warrants of arrest, visited the vessel in question immediately after its arrival, made prisoners of the whole party, and locked them up in the municipal gaols. The prisoners were brought up as soon as possible before the Mixed Court, and the woman to whom the slave-girls belonged was charged with abducting the children. In passing, it may be remarked that the Mixed Court is a Chinese Court, presided over by Chinese magistrates, who are assisted, or perhaps it would be better to say watched, by an Assessor of European nationality detached from one of the Consulates-General. This Mixed Court has jurisdiction over all cases in which Chinese residents in the Settlements are involved—that is, purely Chinese cases—and is the Court in which Chinese must be prosecuted by European plaintiffs.

The case in question was remanded by the Chinese magistrates, quite properly, pending the making of inquiries. But here the first question arose: in whose custody should the prisoners remain; in the custody of the Mixed Court or in that of the municipal police? On paper, of course, there should be no doubt. The Mixed Court being provided with cells, and being, after all, a Chinese Court only dealing with Chinese subjects, it is clear that the Chinese magistrates' decision should be final. This would be all very well were there complete confidence in the integrity of the Chinese

magistrates and Chinese warders. But experience has taught the municipal police authorities that cases remanded with the prisoners left in the custody of the Court were apt to be decided, not in accordance with established procedure, but suddenly at the will of the magistrates; that is, irregularly. It would be wearisome to detail too closely the various stages through which this affair went, but the climax came one morning when, the case being once more remanded, the presiding magistrate peremptorily ordered the police to hand over the prisoners to the Mixed Court "runners." The inspectors in charge of the case demurred, and the British Assessor, who was sitting on the Bench at the time, dissented vigorously from the ruling of the senior Chinese magistrate.

It is not yet clear what actually happened after this, but in any case, no matter what occurred, the morning's work may be classed as a "regrettable incident." The Chinese magistrates, being much excited, jumped up shouting, and ordered their "runners," of whom there were several dozen present, to wrest the prisoners by force from the municipal police, and a fierce *mêlée* immediately followed in the Court-room. The Chinese females were torn from hand to hand, somebody struck a first blow, and the police, Europeans, Sikhs, and Chinese, lost their tempers and with truncheons and legs of chairs cleared the Court. It has been stated that one of the European inspectors, in his anger, actually struck a junior magistrate who had jumped down

into the throng, but this has never been proved. An enormous crowd of natives gathered outside the locked gates of the Court-house, and but for the arrival of rifle-armed police, an ugly *dénouement* may even then have occurred.

Fortunately the people calmed down, but on the morrow the native newspapers, together with a number of professional agitators, who have been stated to have been Japanese, deliberately began a far-reaching agitation designed to raise mobs which would show the European that he only remained on sufferance, and that if he were not circumspect his life would not be worth an hour's purchase. The result was that on the 18th of December (1905) roughs invaded the markets and began throwing down produce which was being sold to the cooks of Europeans. Gaining in audacity, as their petty outrages were not checked, the raiders began attacking police stations, one of which was half sacked and burnt. By an unfortunate misunderstanding, the police had their ball cartridges largely withdrawn, and were powerless to cope with the masses opposed to them. At one point, however, a half a dozen Sikhs had food for their carbines, and receiving orders to fire, a few volleys struck terror into the ragamuffins and loafers who formed the majority of these demonstrators. Then the men-of-war in harbour quickly landed men; more war vessels steamed in from adjacent ports; and with volunteers and sailors picketing the streets, a peaceful trading-mart was almost placed in a state of siege.

A digression of this nature, which illustrates with singular force how the most unimportant and unworthy incidents can suddenly produce an *impasse* from which there may be no safe escape, is very useful. For it establishes clearly what many sheets of abstract arguments might fail to do: that the Chinese Government, and every one of its minor officials, have become extraordinarily sensitive on the foreign question, and are really determined, if they can, to lose no more ground. The panic which overcame Shanghai, a panic which caused men who cannot be called cowards to run rapidly away from unarmed vagabonds who would have disappeared at the sight of a few menacing gestures, also showed plainly that somehow during the past five or six years the subconsciousness of every European residing in China has realised dimly the enormously powerful latent force which surrounds him, and the manner in which that force can dominate everything once it knows how to express itself. It may be also that the grim shadow of the Boxer year has left a silent horror. In that year, the menace was immeasurably greater than the cruel deeds actually done; and yet whilst the deeds are being slowly forgotten, the horror still affects imaginations.

It is then, as is shown by the simple illustration which has just been given, at the treaty port that the Chinese Government sees a concrete example of the evil which menaces its authority. Convinced that action must be taken, it is doing what it can in the disjointed manner which is inseparable from

a government weakened by ill-digested reforms and archaic survivals. The reasoning of the Central Government is easy to understand and appreciate. It seems eternally to say: "Dear, dear, there are a few thousand ills which we are heir to, because we have been outstripped by others in this modern race. All the nations of the world, since we are called 'undeveloped,' and since our natural riches are reputed very great, seem to become more and more pressing in their attentions. Under specious forms they seek to obtain monopolies, concessions, special privileges, and a hundred other things which serve only to show more clearly the true line of cleavage which divides us from the respected nations. Now, it is armed strength which makes nations respected—that and nothing else. So we must seek to restrict all monopolies, concessions, and privileges; we must seek to copy others, and, above all, we must seek to acquire that armed strength which is the most potent argument of all."

Thus soliloquising, the hoary Chinese Government, really decentralised and so encumbered with the question of interprovincial equipoise that it is almost a sarcasm to call it the Central Government, is slowly at work, and in the matter of the new treaty ports which are being opened it is attempting to reduce the evils of extra-territoriality to a minimum. Thus by itself arranging all the details of the opening of new commercial marts, it is attempting to reserve the right of policing the European Settle-

ments which will grow up; of strictly defining their boundaries, so that all extensions can be called out of order; and of allowing the future municipalities which may be erected to labour only under the immediate control of the territorial Taotai. In such new treaty ports it is also careful to set aside areas outside Chinese city limits—as far away as possible—where the Europeans shall reside and build their model towns; and in those towns which it throws open to trade of its own accord, so as to forestall any foreign demands (witness the three towns of Ch'onts'un, Weihsien, and Chinanfu, in the province of Shantung), it would appear to reserve to itself not only the right of eminent domain, but the right to remain the actual landlord who will take upon himself voluntarily the burden of all "betterments," such as road-making, lighting, etc. And although in the older treaty ports the conditions under which foreigners hold their land in their Settlements are such as to preclude almost all interference, an increasing inclination is being manifested to establish the principle that the huge native populations which have arisen with the growth of trade should be given a voice in municipal control. The day cannot indeed be far off, although enunciation of such a view seems to be peculiarly repugnant to all Europeans, when Chinese merchants will have to be given a share in the government of these growing mixed communities, or else it will be found that graver misunderstandings and clashes of opinion will arise.

The next matter, a matter also arising directly out of the fact that the European resides in such numbers in the privileged areas above named, which the Chinese Government is attempting to deal with is the all-important matter of coinage and currency. The currency of China, the real valuation basis of everything, has always been one thing and one thing alone. People in general, and even experts in particular, are apt to speak of China as one of the last and staunchest of silver-using countries, and to opine that the time has now come when she should pass into the solid ranks of gold-standard countries. This mistake would be laughable were it not so grave. For in China silver has never been anything but a commodity whose most important office has been to satisfy the balances of interprovincial as well as international trade. It is copper, and copper alone, which is the real basis of valuation. Thus in establishing the enhanced cost of living, and of the prices of all necessities of life in China, an inquiry into prices measured in terms of copper *cash* shows with wonderful clearness the really difficult position of the Chinese Government. For even during the past thirty or forty years, prices, stated in copper *cash*, have grown enormously and out of all proportion to the increase in the cost of living which has occurred in every other country of the world. And with this appears another untoward feature: the gradual but steady diminution of the amount of copper *cash* actually in circulation. In spite of the

severest penalties laid down in the statutes, the melting down of these essential coins must have been going on unchecked for many years, for a shortage to-day exists which cannot be accounted for simply by the great increase in population which has taken place since the Taiping Rebellion was crushed.

The position of the Chinese Government in this currency question is, from its own point of view, one of the least enviable. Although the fact is undoubtedly clearly realised to-day by the leading officials that currency is inherently one of the most delicate of problems, and that its treatment should only be conducted on the soundest basis, such a course of action has been nearly impossible to follow. The signature of the Peace Protocol of September 1901 necessitated something being done in order to relieve the shortage in copper coins which would undoubtedly occur as soon as the indemnity drain began to be felt in the provinces. The conclusion of the Mackay Treaty, in which China definitely undertook to reform her currency with the least possible delay, was an extra incentive, and so steps were taken without much mature consideration. A large number of copper-coin mints were opened in various provinces, and those mints which had already begun the minting of silver dollars and silver subsidiary coin were exhorted to redouble their efforts. It will be seen from this that, as usual, when it is at its wits' end, the Chinese Government favoured and put into opera-

tion a *pis aller*. Instead of boldly establishing Hu-Pu or Treasury Mints, under the direct and absolute control of a select committee of the Peking Board of Revenue, the provinces, already allowed far too much freedom and elasticity in their financial affairs, were encouraged to import modern machinery, to set up their own mints, and to coin a new copper coin—a modern ten-*cash* piece, sometimes erroneously called a one-cent piece. The Central Government anticipated that this new coinage, being practically uniform, would at least relieve the parlous condition of the purely native money markets, and for a time their reasoning proved correct. The new coins were attractive in appearance, cleanly minted, and actually supplied a long-felt want.

But this happy condition of things could not long exist with a lack of adequate supervision. The provincial mints, seeing that the new coins found favour with the swarming provincial populations, and that there appeared to be no limit to the demand for them, increased their daily outputs so enormously that it is calculated that this year (1906) there are 12,000 million pieces actually on the market. This result has been accomplished in a couple of years.

When China's enormous population is considered, the introduction of a new coinage to the amount only of 30 ten-*cash* pieces (say 300 old copper *cash*) per head should not be disastrous, and probably would not have been so, were it not for the fact that there is still little honesty among the tax-

collectors of the Empire. The profits from seigniorage being enormous, it is shrewdly suspected that in addition to buying large supplies of copper in the world's markets, provincial treasuries have been busy melting down much of the best old *cash* coinage so as to clear the market of all competition. And although these new coins, being only a multiple of ten of the old copper *cash*, should nominally fluctuate in regard to both the silver dollar and silver bullion in the same ratio as the old coins (*i.e.* if 900 *cash* equal one Mexican dollar, then 90 of the new coins should go to make the same amount), the very reverse is the case. For these 12,000 million coins having been flung on the market regardless of circumstances, they have already had the questionable honour of being refused again and again by Chinese Government agents, and the inevitable depreciation has thus been actually hastened by the gratuitous efforts of China's own officials. To-day it is estimated that the depreciation amounts to nearly 25 per cent, and that whereas 880 *cash* exchange for one dollar, 111 new coins are needed for the same purpose (instead of 88 as should be the case).

The net result has been that, instead of easing the stringency in the copper *cash* markets, the new coin, being inferiorly rated and being intrinsically of less value than ten of the old copper *cash*, is simply driving the superior (or to be more accurate, the more valuable) medium out of circula-

tion owing to the operation of a law long established in the history of currency. As usual, then, China, because she wished to show that she does not intend to utilise foreign tutelage, which may be a matter of life and death to her if rice, the staple food, is forced to an unnatural level, has simply complicated matters, and in her haste to do something tangible has acted foolishly. Currency reform, made quite necessary by the upset of 1900 and the fiscal burdens which were then added, can only be said to have been commenced, and indeed, cannot be properly hastened until recourse is had to foreign loans, which will provide the necessary bullion and funds to undertake operations on the grand scale which is necessary. Such a policy is, however, still distasteful to the government, which refuses to understand that it cannot hope to drive away Mexican dollars, Hong-Kong dollars, and many millions of foreign bank-notes until it has something to take their place. It is extremely jealous of these foreign tokens, which now find such favour in every corner of China that they are almost the currency of the country, yet it has not the courage to act. And further, so great has become the business of the foreign banks, that they practically control the *native* banks, and therefore have the whole financial situation in the hollow of their hands. With indemnity payments further strengthening their position, these banks can only be converted into ordinary banking establishments when a Chinese currency and a sound modern

Chinese financial system replace the present confusion. So far, then, in finance, as in treaty port questions, there has only been a policy of tinkering. At the moment of writing there are indications, however, that the Board of Revenue will shortly introduce radical reforms in the copper coinage system, and that the coining of silver *ku-ping* or treasury *taels*—of a value at the present exchange of three shillings—will be commenced on a very large scale. The germs of a great improvement are therefore to be discerned.

The next matter to which the government, constantly pricked on by Viceroy Yüan Shih-kai, is paying attention is the new military movement. In a former volume a detailed account has already been given of this great movement, and it is now necessary only to refer to the progress made during the past year. Eighteen months ago there were only six divisions of 12,500 men each properly formed or in process of formation. To-day there are ten divisions of the new troops, whose *cadres*, if not yet quite complete, will be made so during the next few months. It may be said, then, that China is adding to her new army at the rate of some 20,000 or 25,000 men a year, and that by 1915, if this rate of increase can be kept up, there will be an active army of from thirty to thirty-six divisions of troops, or nearly half a million men, whilst the trained reserves may number twice as many again. This is the goal towards which the new Peking Army Council is marching.

A Stretcher Party of the New Chinese Army.

[Face page 288.

Wafangkon Station, around which the Battle of Wafangkon or Telissu raged.

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The great bulk of these new forces is in North China, where there are seven divisions immediately under the eye of Yüan Shih-kai. Two of the remaining divisions belong to Chang-Chih-Tung's Viceroyalty of the Middle Yangtze, and the last division is nearly completely formed at Nanking. It may be said that the same three strategical points in China are still the centres of military activity as heretofore (*i.e.* Tientsin, Hankow, and Nanking), but note should be taken of the fact that battalions of the new troops are now to be formed in seventeen other points. In other words, all the provinces are following slowly the example set them and are preparing plans for the raising of new troops. Thus the new Army Council calculates that by the end of the year, apart from the ten divisions already mentioned, there will be forty-six independent battalions of re-armed and re-drilled infantry at various points, each of which will be the nucleus for further expansion. This will mean some 30,000 more men. By the beginning of 1907 it is possible, then, that China may have an efficient force of nearly 150,000 men.

But it is also important to note that there is one serious limitation to all this. It is that the troops in provinces not connected by railway with the capital cannot be classed in the category as the troops of those provinces which are now in close touch with Peking, thanks to the building of the iron way. In other words, it is necessary for the Army Council to be able to order the trans-

portation of troops by rail to manœuvring grounds, to be certain that all the requirements in regard to armament, organisation, and training have been fully complied with. In the category of provinces immediately under the influence of the railway come at the present moment only Chihli, Honan, Shantung, Hunan, and Hupeh. If the Tientsin-Chinkiang line, the Nanking-Wuhu-Kiukiang-Hankow line, the Canton-Hankow line, the Shanghai-Soochow-Hangchow-Ningpo-Nanking line, and the Chengtu-Hankow line are all built during the next five or six years, say 3000 miles of railway in all, thirteen provinces, instead of five, will be in direct communication, from the Army Council point of view, with Peking; and in such circumstances it is safe to predict that there will be from twenty to twenty-five efficient divisions of troops at the service of the government. The great field manœuvres, which are now to be held annually north of the Yangtze, are organised both to give provincial governments a sense of the new responsibility which is theirs and to emphasise the fact that a strong army capable of protecting the throne is a *sine qua non* for an independent China. At the present moment the force which could be concentrated around Peking could only act on the defensive against a powerful coalition; in five or six years, numbers, combined with good and rapid communications, will allow the Chinese Army to be considered as an offensive as well as a purely defensive force.

This is of the highest importance, for it will mean that by 1912 or 1913, when presumably the vital question of the Anglo-Japanese Alliance will be under consideration, China will no longer be a negligible quantity, but will take the first opportunity of showing that explanations must be forthcoming as to the scope of all treaty arrangements entered into by the Powers concerning the welfare of the Far East. In other words, China will be the first to show that "protection" of a certain sort is not required, and that she wishes to resume both on land and on sea the position she occupied prior to the Japanese War of 1894-95. This consideration is a matter of the highest importance.

It is well to call to mind, in this connection, that the great Hochienfu manœuvres held in the autumn of 1905, in which 50,000 troops were engaged, astounded the military *attachés* of European Powers. Mistakes were of course made in field operations of such magnitude, since they were the first China had ever held. The facts that the infantry had not yet all been furnished with a standard weapon—the German Mauser—and that the cavalry, although well trained, were not suitably mounted, did not escape attention; neither did the inadequacy of certain other branches of the field forces fail to be commented on. But the general discipline was pronounced excellent; the entrenching work rapid and effective; the men cool, intelligent, and zealous in the highest degree; and, last of all, a special correspondent did not hesitate to say that

"the handling of the guns was a sight for the gods."

This last point is so important, in view of the remarkable achievement of heavy ordnance in the recent war, that it merits attention. At a moment when the British War Office contemplates the disbanding of thirty-six batteries of horse and field artillery, the fact that China's new Army Council intends to organise an overwhelming mass of artillery is significant. For the Chinese, as was pointed out in a preceding volume, are natural artillerymen, if such an expression be permissible; they possess qualities which show themselves in a speaking way from the moment a battery gallops into action to the moment a stream of shells is being poured on an enemy from hidden positions. Chinese gunners are cunning; quick and agile; they understand the selection of positions instinctively; and their curious nervous systems are never oppressed, as the Japanese become oppressed, by the discovery of counter surprises in the shape of masked enemies' positions. It seems almost plain, then, that the Chinese artillery corps may be the nightmare of all possible enemies in less than ten years, for the Chinese three years ago arrived at he conclusion which the Japanese General Staff has arrived at as one of the lessons of the war: that divisional artillery must be inordinately powerful under modern conditions in order to accomplish quickly important results. At this very moment plans are being drawn up for a giant gun factory

on the Krupp model in a certain province, and as soon as funds have been collected the factory will be quickly established. The Hanyang Arsenal, which now turns out 50 Mauser rifles a day, is to have its capacity doubled as soon as possible, and this will mean that the infantry battalions of three divisions can annually be re-armed with an effective modern weapon.[1]

Nor is the education of the modern Chinese soldier being neglected. Just as the organisation, which has always been one of the weakest points of the Chinese system, is being made quite up-to-date, thanks to a good Staff College in North China, so has the elementary education of the rank and file been taken in hand. The men are now taught to read and to write, and have lectures given them on many subjects. The non-commissioned officers already pass through regular courses, and thus the sturdy peasant Chinaman who immediately excited the admiration of such a competent critic as General Sir Ian Hamilton, when he discovered him after the crossing of the Yalu, is being made into one of the most intelligent soldiers of Asia. People may therefore expect that by 1908 China will have a first-class army of 200,000 men, and that six years later these figures will have been doubled. The entire Army Council scheme should be complete by 1915, and if this can be carried out, a new power will have arisen.

[1] In this connection it is well to note that the Army Council has just decided to appoint immediately a military commissioner in every province who will hasten the re-arming.

The Chinese Navy, crushed and powerless since the Japanese War of 1894-95, is as yet an absolutely negligible quantity. China has at the moment but four modern protected cruisers, half a dozen gun-boats of no fighting value, and about the same number of torpedo craft. In this matter, then, practically a fresh start has to be made; and this has already been done, although the fact may have escaped attention. The beginning shows itself in the fact that organisation and centralisation are being attended to. By a recent decree, Viceroys Yüan Shih-kai and Chou Fu—the latter, the Nanking Viceroy, is a personal friend of the former—have been placed in joint control of the reorganisation scheme, which is also under the management of the Army Council. In this connection it is well to remember that the present excellent German Navy owes its organisation to two German soldiers. The new Army Council in China is carefully studying the history of modern fleets, and will not fail to discover significant facts.

Meanwhile an Englishman, Captain Tyler, R.N.R., of Sir Robert Hart's Services, has been appointed Naval Secretary, and has already commenced his work. For the time being that work consists in drawing up rules and regulations, codes and suggestions, and generally in reducing the present chaotic condition to a definite system. An Admiralty House has been established in Shanghai, and the organisation and training of a naval staff has been begun. Already there are several dozen Chinese

naval students in Japan, whilst Chinese midshipmen have been placed on board British cruisers of the China Squadron. Captain Tyler deprecates any expenditure on the construction of a fleet at the present moment; in his opinion, at least two years must go by in purely educational and organising work. Until 1908, therefore, China will probably not order any war vessels, but after that date an extensive shipbuilding programme will be drawn up and given immediate effect to. This decision is sound. Captain Tyler, who played a distinguished part in the unfortunate battle of the Yalu a decade ago, as co-commander of a Chinese battleship, knows bitterly from experience that much has to be done before a Chinese Navy can acquit itself as the genius of the Chinese people deserves. In the Yalu battle his battleship had exactly two effective shells for the big guns; it is believed that had there not been this dishonesty, the Japanese fleet would have been beaten off, and the whole history of East Asia possibly changed. It will, then, be fully 1910 before Chinese battleships again sail the seas; but once a commencement has been made numbers will grow with startling rapidity.

The last matter upon which it is here necessary to touch is the very recent question of the Chinese Customs Services. By an Imperial Decree issued in May of this year (1906) two high Chinese officials, T'ieh Liang, Manchu President of the Board of Revenue, whose remarkable career has already been dealt with, and T'ang Shao-Yi, Vice-President of

the Wai-Wu-Pu, or Foreign Office, were appointed Imperial High Commissioners in charge of all customs affairs.

These appointments had special significance. For forty years Sir Robert Hart had directed with signal success the Services which owe their inception to the Taiping Rebellion and the powerlessness of Chinese officials at that time to collect customs dues and duties at the important port of Shanghai. In a former volume the future of these Services has been so fully dealt with that only a few further references are now required.

The outcry and alarm which the Imperial Decree above mentioned created, succeeded in inducing the Chinese Government first to explain, then to qualify, and finally to modify these momentous appointments of Chinese High Commissioners. China in written statements clearly placed on record the facts that she did not intend to tamper with the internal organisation of these British-controlled Services, and that she definitely held to the stipulations of the various foreign loan agreements and to the special agreement with the British Government of 1898. That is to say, she officially recognised that organisation and internal control must not be tampered with, and that so long as British trade predominated in China, a British Inspector-General was a *sine qua non*.

So far so good; but it would be well if certain other aspects of the question were considered. In a former volume it was made quite clear that some years ago the high water of these foreign Services

was reached, and that practically nothing had been done since then to meet the new conditions in China, or to cement on to the Chinese structure Services which may be described as being largely in the nature of a "farm," placed in the hands of one high European official. A case which is an admirable illustration of this is supplied by the procedure which has been adopted since native custom houses—that is, custom houses dealing solely with Chinese junks engaged in interprovincial trade, as opposed to maritime custom houses dealing with all steamer and foreign sailing vessels—came under control of the foreign Inspectorate-General of Customs. In most ports the procedure has been to appoint a single European officer who nominally has to supervise and control the coming and going of thousands of junks, and to see that duty-levying is carried out in accordance with the purely native tariff. The result has naturally been that there has been no supervision, and that European officers have been completely in the hands of Chinese underlings of the old *régime*. No attempt has been made to systematise or organise, or to remodel or reform; everything has been left untouched. This procedure is identical with that adopted in 1898, when the arrangement of the £16,000,000 sterling 4½% gold loan of that year placed six Likin Collectorates of the Lower Yangtze in the hands of the Inspector-General of Customs, so that the service of the loan should be personally overseen by Sir Robert Hart. These extra revenues had to be

diverted, because the Imperial Maritime Customs collections, with the heavy drafts being made on them for the service of former loans, no longer sufficed to pay the interest and sinking fund of this fresh commitment. In 1898 Deputy Commissioners were actually appointed, but their activity was limited to *receiving* monthly the sums collected by the Chinese collectors of the old *régime*, and no sort of supervision or control was exercised. This was because of the fear of native opposition—an opposition which might bring about further complications and expose weaknesses which had never been suspected.

It will be seen, then, that the serious and constantly increasing limitations of Services which do not form part and parcel of the true Chinese government system have not been fully understood, and that when the set of treaties stipulated for in the Peace Protocol of 1901 (of which the Mackay Treaty of September 1902 was the first to be formally signed) are completed, serious complications will arise unless there is a proper and well-defined connection between the Board of Revenue and the foreign Services. For under the new treaties new obligations will have to be assumed by the European customs, and these new obligations cannot in the present circumstances be efficiently attended to. The mistake made by the Chinese Government in the recent decree was that it did not place Sir Robert Hart's Services under the control of the Board of Revenue instead of nominating High Commissioners whose

duties were very ill-defined. That this change must come in order to effect radical reforms in China is certain, and the transfer should be facilitated rather than impeded by the European population.

Sir Robert Hart is now anxious to retire, and is only waiting, as he has been waiting for quite a number of years, for the future to be assured before vacating the splendid position he has made for himself solely by his own efforts. Things are very different now from what they were even five or six years ago, and if the changes have not been completely understood and digested, it is because conservatism takes as strong a hold on Europeans in the Far East as on the Chinese themselves. In this customs question there are grave interests at stake, and those interests demand that every point of view should be given the most careful attention. Once the new treaties come into force, the grand total of the revenues collected under the supervision of the European employees of the Chinese Government will spring, owing solely to higher tariffs and a largely increased sphere of operations, from Customs Taels 35,000,000 (say £6,000,000) to about Customs Taels 60,000,000 (say £10,000,000), leaving a large surplus in the coffers of the Chinese Government even after paying all indemnity and loan calls. This surplus would be sufficient to maintain ten divisions of the new Chinese army—to give an eloquent and significant illustration. Indeed, when the new treaties are put into force, the collection of every important source of revenue, excepting the land tax, will be under the

control of the foreign Services. Their revenues will thus be in the nature of Imperial revenues, necessary for the upbuilding of the new Imperial China and for helping China in her great work, instead of being entirely paid away as giant fines for foolishness in the past. The foreign Services should thus become Imperial Services closely allied to the Chinese Civil Service; and unless this change is made, in twenty years there will not remain a single trace of the present system.

There is an immense amount to be done before this can be accomplished, and without the closest co-operation with the Central Government the work can never be accomplished. Unless China is to become a Turkey, a country disgracefully administered but possessing a most powerful army, it is a fundamental necessity that constant modifications should take place to meet the requirements of the hour. To turn the government cry of "China for the Chinese" into a sane national sentiment, untainted with traces of Boxerism, is one of the problems of the day. The foreign Services may lend great assistance in this matter. Sir Robert Hart's successor is tacitly understood to be the sub-chief of the foreign Services; and in Sir Robert Bredon, the present Deputy Inspector-General, the Chinese will undoubtedly find an official who possesses too much common sense not to see that fusion and not increased separation is the problem of the hour. The Legations of Peking would also do well to understand that this international question has a great bearing

on far larger problems, and that it is one of the factors which, added to the others, may in ten years' time terminate the present condition of things by causing China to emerge from the entanglements which now cripple her, and by doing away with the necessity of artificial agreements. Thus in quasi-foreign affairs, in currency affairs, in army and in navy affairs, in fiscal and commercial affairs, the action of the Chinese government is already highly important to understand. It is time now to see what the people are doing, as their action is just as significant.

CHAPTER III

CHINA FOR THE CHINESE: (*b*) THE POPULAR MOVEMENT

In the preceding pages has been given a cursory examination of some of those steps which the government of China, hampered in many peculiar ways, is now attempting to take, so as to confine the endless activity of the foreigner to definite limits, and at one and the same time to strengthen itself in such a convincing manner that out of the present chaos, precipitated by the tentative introduction of entirely new factors, something tangible and reassuring shall arise. This turmoil, although almost universally described as the reflex action of the tremendous and unfinished conflict which raged so fiercely in Manchuria, probably springs just as much from a full appreciation of the lessons of the Boxer year. That is to say, as those lessons have come home to every man of intelligence, it has become obvious that the last moment has arrived, and that there can no longer be any question of a delay of decades, as has been the regrettable policy ever since the making of the Tientsin Treaties and the sack of the Summer Palace in 1860 allowed a

first inkling to dawn of what the opening of foreign relations on a modern footing would ultimately mean. It may therefore be taken for granted by politicians and diplomats all the world over—and it is desirable that this should now be rated as the most important basic fact as regards China—that the Chinese government can never again resume its old attitude of indifference and *laissez-faire*, and that the parting of the ways has at length been reached. It may be, of course, that New China will only take her proper place in the family of nations after fresh upheavals, that blood may first have to flow in sickening streams as a libation to the gods who are being abandoned after forty centuries; but no matter how the result is obtained, no matter what the cost may be, no matter what gigantic losses have to be faced, the change is coming. That is the supreme point of importance.

In such circumstances the action of the more intelligent portions of the Chinese people—an action which, although closely allied to the government movement, is still in some respects quite distinct—becomes intensely interesting. It will be well, then, to try to understand what is being done, and to reduce to as plain language as possible the broad tendencies and strange cravings which now move men formerly so indifferent. And as this is a vast subject in itself, which could not be completely and exhaustively dealt with except in a volume devoted to its exclusive consideration, only the most important points can receive attention.

Perhaps it will be wisest to take these points in the order of their importance.

Of course the most important and the most convincing action of the Chinese people, acting in their purely private capacity, has been the boycott placed on American goods as a result of the hardship of the American Exclusion Laws. So much has been written on this subject—generally, be it remarked, by people who do not understand too clearly what they are writing about—that the mere mention of it may prove wearisome. Yet as it has been one of the most successful moves ever made in China, it merits a brief consideration.

In broad terms the position has been this. For years the American immigration officials at the Pacific ports of entry had been in the habit of acting somewhat harshly towards Chinese travellers. The absolute prohibition placed on the entry of Chinese labourers into the United States by the Treaty of 1894 specifically excluded *bona fide* Chinese merchants and students from its scope. Difficulties, however, soon arose. The Chinese from Kuantung —practically the only province which has sent its people to America—being the most unscrupulous and the most cunning in the eighteen provinces, ways were soon found to evade even the stringent laws passed by Congress. It was found to be no difficult matter to obtain fraudulent certificates from Chinese territorial officials, certificates which classed their holders as merchants or students; and these being endorsed, for a consideration, by United States

consuls in China without proper scrutiny, a steady stream of bland and child-like persons set towards the Pacific slope, pointing to an extraordinary commercial and literary interest in the forty-five States of the Union.

Immigration officials, however, probably like Le Coq's Parisian police experts, have a low opinion of the human race in general, and of Chinese in particular, and looked with growing irritation and suspicion on the alleged merchants and students who sought the hospitality of their shores in such unending numbers. It soon became clear, too, that a frontier was simply a geographical expression for these indefatigable immigrants who found existence so pleasant in California's charming clime. Not only did men come by ship to the ports of the Pacific slope, but they availed themselves of the adjacent lands of Mexico and Canada, and, slipping across the boundary lines, soon found themselves in San Francisco's China Town.

In such circumstances the harshness of the immigration officials, goaded probably by Labour Unions, who were the immediate sufferers from the constant presence of this cheap labour, is quite understandable. Innocent and guilty Chinamen suffered alike, and were treated more like cattle than human beings on their arrival at their destination. A second circumstance tended to aggravate this purely American ill; it was the enforcement in the Philippines of the same rigid exclusion Acts as had been sanctioned in the United States.

Until 1902 or 1903 it was possible for Chinese to gain Philippine ports, in spite of the prohibition, with little difficulty. It being laid down that all Chinese who had previously resided in the Philippines might return thither on being examined before an American Consul and on a certificate being filled in to that effect, the number of Chinese who had visited the old Spanish domains proved embarrassing. Of course, here again fraud was to be found. In a certain Consulate in China, which it would be cruel to designate too clearly, common talk had it that before passing before the Consul, the Vice-Consul or some other official gave a little impromptu lesson in Spanish. "Do you speak Spanish?" it was his habit to ask in the vernacular of Madrid, and should there be any hesitation in the answer, the applicant was taught to say "*Si, senor*," with a pleasant lisp. Continuing this interesting interrogatory, the patient Chinaman would be asked where he had lived, and would be taught to reply with one magic word, "Manila." Thus on three words was an embryo-Spaniard evolved and, incidentally, a certificate obtained.

This ingenious procedure, alas, was so noised abroad that the same suspicion overcame the American officials in the Philippines as had proved such a stumbling-block to immigration into California. Investigations were commenced, and an alarming state of affairs was soon disclosed. It was apparent that the Chinese had merely regarded all immigration laws as ingenious regulations designed

to "squeeze" them, and being very much accustomed to this method from lifelong contact with their own officials, they had paid all fees cheerfully enough, and had recouped themselves later on. That was the Chinese point of view.

The abrupt change which now came in American methods, thanks to the intervention of the higher authorities, dissipated such gentle dreams and forced the Chinaman to realise that the day had come when he was not in the least wanted in those lands over which the Stars and Stripes float. This discovery took some time to gain general credence. Then as *bona fide* students, travellers, and merchants were really somewhat hardly used, irritation began to grow stronger and stronger in the treaty ports of China, until two or three notorious cases of detention occurred which could not fail to interest the Guilds. As the Exclusion Treaty—a ten years' treaty—was about to expire, and rumours were busy to the effect that its regulations, so far from being relaxed, were probably going to be made still more stringent, certain Guilds took up the matter, got into correspondence with their branches in America, decided on a general policy, and one day in the summer of 1905 announced that, unless the Exclusion Acts were repealed, on a definite date a boycott of American goods would be put into force and would be continued for ever.

The boycott really began on the date set, although most people in China were at first a little incredulous. The Guilds, however, at all the great

trading centres in China had taken the matter up seriously, and, having purchased privately all the supplies of American produce they were likely to need for many months ahead, could afford to be apparently whole-hearted in their work. Placards, those grim signs in China, began to be posted everywhere, calling on the people to abstain from purchasing the manufactures of a nation which had no bowels of compassion; the people were exhorted to stand firm and to rally round this new cry. Little could Captain Boycott have imagined, when he was excommunicated by his neighbours in County Mayo a quarter of a century ago, that his name would one day serve as a rallying-cry in an Asiatic country ten thousand miles away!

The boycott went through the usual stages of everything in China. It was closely observed in parts of the country, and caused great inconvenience and heavy loss to many American houses trading in China; it was very loosely observed in many other parts, and allowed cunning speculators who ostensibly hunted with the hounds secretly to run with the hares. In other words, everybody was very anxious that the mass of native traders should take the placards literally, and so create a shortage which could be privately supplied. It may therefore be said that although the boycott was nominally rigidly maintained for many months, and caused American importers in China serious losses, it was non-effective.

Its end, however, was accomplished. Universal

attention was attracted to the fact that the Chinese had found a peaceful weapon which certainly made the boycotted country an object of some derision, and that they were beginning to show evidences of a solidarity and a solicitude for their common welfare that had been little suspected. And the Washington State Department, fully alive to the inconveniences which would arise if such a matter were allowed to pass unchallenged, at length did issue peremptory orders which at once secured that Chinese of the upper classes should no longer be submitted to indignities or hardships at American ports. And when it is added that the new Act, which will duly pass Congress and be published at a convenient moment, is framed to correct abuses and hardships, whilst observing the cardinal principle that coolie labour cannot enter the United States, it is clear that the exact amount necessary has been accomplished by both sides.

This somewhat extended reference to a subject which should soon be ancient history, admirably illustrates the new attitude of the Chinese people on a question which as late as ten years ago would not have been understood in the slightest; and at the same time fitly shows the gulfs which separate China of the pre-Boxer years from China of to-day. Sentiment, which so few years ago was largely a provincial or even a prefectural or a village matter, is becoming almost national in its intensity, and the Chinese indeed appear to be attempting to follow Mr. Chamberlain's advice. Already they have given

evidences that they can "think imperially"; when they take to acting imperially in the modern sense, they will form a massive force which will have appalling possibilities. People have laughed too long at the forecasts of the late Professor Pearson, made in an Australian study; to-day there seems absolutely no reason why the Chinese, if they manage to pass through the critical next twenty-five years without encountering some terrible disaster, should not rise to very extraordinary heights, and dominate, by virtue of their immense numbers, not only the markets of the Far East but also the major portion of Asia.

The boycott above referred to having successfully demonstrated not only that there is a feeling in the air that China is for the Chinese, but that the Chinese intend to have their rights abroad respected, it is necessary to turn to one of the most powerful instruments in the dissemination and growth of such ideas, and to show what a remarkable part it will play during the reconstruction period of the next twenty-five years. This instrument, which has already accomplished so much, and which has shown that it has endless possibilities as yet scarcely understood, is the native press.

Like the boycott in its broad or international aspect, the Chinese press has grown to its present importance entirely owing to the foreigner. Before the Chino-Japanese war there were scarcely half a dozen newspapers of any sort or description; to-day there are approximately two hundred daily, weekly, and monthly publications, and the tendency is for these numbers to be added to at the rate of a couple

of dozen every year. It is clear, then, that during the next twenty-five years the growth will be phenomenal, and that by 1920 or 1930 every city of importance in the eighteen provinces will have at least one daily sheet. Such papers being read by all the literate classes (that is, the officials, the gentry, the traders, the shopkeepers, and the skilled artisans), it may be said that everything that is best and most redoubtable in China will respond to the calls of the native editors. The importance of examining this powerful instrument is therefore quite obvious, and in devoting a few pages to such a consideration the hint given by a leading English literary publication will be given strict attention.

The Chinese newspaper is still in a somewhat undeveloped stage. Broadly speaking, it may be said to have followed the *format* of the modern Japanese sheet. It is about 12 inches long and may be as much as 40 inches broad. This is because of the fact that the characters run in their alignment from top to bottom—and not from left to right as in European languages—making the length really the breadth, and *vice versa*. The entire sheet is only printed on one side, owing to the almost universal use of a fine native paper—the same paper as is used for native books—and the manner in which the printing consequently shows through; and it is then folded up much as a European paper. In reading it the make-up and the *format* are found very convenient; for it is not necessary to open it up completely, but simply to turn over

fold after fold much as can be done with a closed fan.

The reading matter is arranged on practically the same orderly principle as in an English newspaper. There are telegrams—big double-headed type is coming in vogue for these—leading articles, notes and comments, letters from correspondents in the provinces (seldom any from any abroad), and a growing number of advertisements. Market prices are found in almost every daily publication; the arrival and departure of mails and passenger steamers are recorded in some; and in a few isolated cases I have even noticed something very much akin to the "What to buy at a glance" column which is a feature of certain financial papers.

The newspaper being the mirror of the life of a people, it will be seen that, in a different garb and with a different set of values, the Chinese sheet is very much like any other paper. But at the moment the important thing is to discover what is the tone and substance of the Chinese press; in the words of the inquiry in the *Athenæum*, "Whether it is scurrilous and trivial, or pretentious and priggish, or of a more solid and business character in conformity with the Chinese temperament?" This is the hardest question of all to answer, for in youthful things generalities are almost universally misleading. And therefore, before replying directly to such a difficult question, a few more explanations must be given.

In a former volume some pains were taken to establish the fact that a respectable proportion of

the Chinese press had fallen into Japanese hands. By this must be understood not Japanese official hands, but simply private persons whose actual relations with certain quarters in Tokyo are not yet clearly established. It is this portion of the Chinese press which is at once scurrilous and trivial, and also pretentious and priggish, and which during the past few months has done an immense amount of harm which only time can efface. The dreadful Nanch'ang massacre was certainly largely encouraged by the utterances of a local sheet, which is understood to be entirely under Japanese tutelage and control; the tone of many of the Shanghai native papers belonging to, or influenced by, Japanese was also deplorable at the time of this massacre; and there are evidences which point to the fact that a deliberate propaganda is being followed by these so-called Japanese organs, a state of affairs which demands the speedy enactment of a modern press law. Without saying more, it will be understood that it is a fact that a certain section of the Chinese press is distinctly scurrilous, and that it has been largely taught to be scurrilous by aliens. Its dearest object is to preach a sort of incoherent "China for the Chinese" on a modified Boxer plan—to find in luckless missionaries, whose only sin is that they take the teachings of Christ too literally and understand none too much of workaday common sense, a proper butt—to hint constantly and without end that the superiority of the white man is an exploded fallacy, and that the great era of the yellow

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man has arrived. Afraid very often to say these things in black and white prose, resort is had to "couplets," which are printed in supplements containing other matter, and whose refrain is odious, and yet appeals peculiarly to Chinese minds. In a word, there undoubtedly exists a very dangerous and very inflammatory section of the Chinese press which takes up boycotting, or missionary massacring, or bombs, or anything else attractive to the pigtailed jingoes of the tea-houses, and which thus spreads abroad the most noxious ideas. Such sheets are simply pamphlets which merit instant suppression.

Fortunately, however, this is but one side of the picture. There is another and a far more pleasant one. The older Chinese organs and some of the semi-official publications (*Kuan-pao*) are more moderate in tone, more cautious in their utterances, more sane, more respectable. In many of them, *literati* of fame, Hanlin scholars some of them, contribute graceful articles in which the treasure-houses of the classics are copiously drawn upon. Some of these articles are charming, full of the sound common sense and wonderful philosophy of a race which has thirty centuries of accurate records. In such effusions the literary gentleman, sitting comfortably at home with his great horn-spectacles on his nose, calmly uses his brush and Indian ink to admirable purpose, and produces work which would meet with the approbation of the most acid critic of Europe. For the Chinaman delights in language; to him it is his most precious treasure He has

realised thousands of years ago, clever man, that literature gives pure delights such as gross corporeal sensations can never supply; that a nation is measured by its literature and its learning; that the printed word should be almost sacred.

And in this last sentence is a keynote to Chinese journalism. The great mass of newspaper readers in China have not yet become accustomed to the new set of values which is introduced by the recording of the history of yesterday a few hours afterwards. They think, do these complacent people, that since from the beginning of time the written and the printed word have possessed, or have aimed at possessing, a quasi-mathematical accuracy, the same rule must apply to this latter-day development. Thus when they see stated in black and white that such and such an infamy has been committed by the European, that such and such a Power is not only bent on absorbing this or that province, but has actually begun the process, a storm of passion is created which is more than extraordinary in such a placid people, and which may in any instance have far-reaching results. Fortunately, however, a fact which cannot be too much insisted on, the Chinaman, no matter what his walk in life, has a great deal of common sense. It is probably the climate alone which is responsible for the hysterical quality of certain of his emotions. During the torrid months this hysteria—upsetting all his respectable theories, his sound philosophy, and his *savoir vivre*—can make of the Chinaman a raging animal who delights

in cruel Boxer excesses. But this is only the rare rebound of a very peculiar nervous system. Chinese editors are fully aware of this peculiar national failing, and do not hesitate to pander to it whenever they see an opportunity for making political or personal capital out of some untoward event. It is this tendency which must be carefully guarded against; and the enforcement of a few sane and well-considered press laws and regulations in China would do much to diminish the dangers which may spring, with the suddenness of a bolt from the blue, from the never-ending discussion of the problem of "China for the Chinese" in the vernacular organs.

At the same time, however, the strictest care should be taken that the native press in China is not muzzled by the government, and thus deprived of the really enormous power for doing good and bringing about general enlightenment which it possesses. This form of popular education which is for ever going on, no matter what evils it may at first seem to bring in its train, is even to-day having wonderful results. What marvellous schoolmasters indeed are two things which to every Caucasian are such matter-of-fact affairs—the newspaper and the railway. Over the length and breadth of China the puffing locomotive and the vehement newspaper are doing miracles: you have but to travel on construction trains and watch the growing postal system hard at work delivering the public prints, to understand that. Isolation is being swept away; men can now join hands in hours where it formerly took

them days or weeks; men can read, over nearly one-half of China, the ideas of their fellow-men in newspaper articles which discuss things with a frankness not rivalled in the West. It is this mighty force which is now growing up; it is this public opinion, given birth to by the printing-press, and hurried along by the screeching locomotive, which now shouts incoherently, "China for the Chinese," and fills observers with some alarm. But it is well to remember that when this self-same public opinion is a little older, and a little wiser, and a little more convinced and conscious of its strength, it will infallibly and inevitably constitute the very soundest and most efficient guarantee for peace and sound progress in the whole country.

Hardly less important than the newspaper in stimulating this new nationalism and in crying this new cry, is the twentieth-century Chinese student. What a different creature has this personage become in so few years! Only six years ago—before the misguided but torch-lighting Boxers leapt into the stage so appropriately at the very end of the nineteenth century, in order perhaps that the new century might be fitly heralded—only six years ago this student was a dull enough fellow who week after week, month after month, and year after year ground at his classics, worshipped his classics, thought of nought but his classics; was in all truth the very acme of classical learning. Sometimes, since the teachings of the most excellent sovereigns Yao and Shun, who lived four thousand years ago,

are hard to acquire, this student passed through the seven ages at his task so that he might earn merit. Muling and puking in his nurse's arms, he was coldly reproved by his spectacled father with appropriate quotations from the classics; as a whining school-boy he memorised endless texts; as a woeful lover he probably wrote eight-character couplets; if he swore strange oaths, they were culled from long-forgotten manuscripts; and as he acquired the fair round belly, he became full of wise classical saws until he became a lean and slippered pantaloon with spectacles on nose and pouch on side, slowly entering his second childishness. For the strange spectacle has often been seen in China of men of eighty and ninety going up for the great competitive Triennial Examinations which have now been abolished—men who, calling themselves students, had wasted all their lives in a vain pursuit.

This era may now be said to have passed almost completely away. At first the change was made so hesitatingly that people did not very much believe that it had really come. It was so difficult to realise that a learning, which was hoary with age as no other learning has ever been, was to be abolished. Yet to this abolition the great retribution which followed so promptly after the Boxer year added a peculiarly powerful incentive. By an Imperial Edict of the 19th of August 1901 (Annex No. 8 of the Peking Peace Protocol), it was declared that, as fit punishment for the murder of and outrages upon foreigners which occurred during 1900, all prefectures which

had aided and abetted the Boxer movement were to be deprived of the privilege of conducting civil and military examinations for a period of five years. The term thus expires this year (1906). Most of the prefectures of the metropolitan province of Chihli were affected by this edict, as well as a number of prefectures in the three provinces of Manchuria, in Shansi, in Shensi, in Hunan, in Honan, and in Chehkiang. Thus, in all six of the home provinces were affected to a greater or less extent, and much of the whole of Manchuria. The meting out of this sort of punishment showed that learning occupied a very different position in China from that which it holds in most countries of the world.

The result of this edict was that, as soon as the Peking Court had returned from its flight and it was seen that the edict could not be made a dead-letter, the so-called "New Learning" or western knowledge unconsciously received an immense impetus. The tone in China being set, as in every other country, by those who are closest to the throne, the students of the Chihli province began to take up their new studies with avidity. Hundreds crossed over to Japan almost immediately, because it was the most convenient country wherein to acquire western knowledge cheaply, and to-day there are between 8000 and 9000 students drawn from every one of China's provinces studying in Tokyo.[1]

And as the older students were thus spurred to

[1] The latest statistics show that these numbers have now swelled to 15,000.

begin modern studies abroad, the movement began at home. It is true that the various edicts which have been issued during the past two or three years, exhorting the provincial authorities to establish proper modern schools in every department, and to take the city temples, if necessary, to provide the necessary accommodation, have been carried out only in a very fragmentary way in general, and even utterly ignored in particular instances. But in spite of this, a large number of schools, which mark a very distinct advance on anything hitherto seen, have actually been established in the big centres, with scholars varying from ten to twenty-five years of age. In such schools it is becoming more and more the habit to put the future makers of modern China into foreign uniforms provided with a cap of military appearance, and even to go so far as to cut off the queue. This last step, fortunately, is no longer being taken with the enthusiasm which was such a curious feature a year or two ago. Bereft of his queue, the Chinaman too often resembles a lean yellow dog who has lost, by some piece of supreme bad luck, his caudal appendage.

Chinese students abroad, and Chinese students at home, all hard at work acquiring as much of western learning as the present inadequate system will allow them to do, and clothed in a strange semi-European garb, are therefore as true a sign of "China for the Chinese" as any other which can be discovered. It has been calculated that there are 50,000 or 60,000 young men engaged in assimilating

western knowledge through the medium of translated text-books in proper colleges, and as many as two or three hundred thousand younger school-boys. It is a curious sight nowadays in China, and one which arrests one's interest, to witness small columns of this scholastic vanguard marching abroad two by two with military step, all clothed in the new uniforms. As if conscious that some strange destiny may be placed in their hands before a decade has passed, a quaint earnestness is set on all their features. In spite of an attire which sometimes smacks more of masquerade than of the parade-ground, they march resolutely and firmly. The very native passers-by, who two or three years ago would have grinned broadly at this aping of the white man, no longer even smile. They gaze, indeed, with their eyes wide open and with lips curiously muttering. It is the new sign, the sign of the times, the great sign—"China for the Chinese." It is no matter for laughter; indeed no. And all those who six years ago saw curious crowds surround Boxer recruits busy with their incantations and spells cannot but be struck with the eye-looks of the common people when they see the modern schools of China march forth. Sometimes the drum, the quick, alarming drum, beats a rataplan at the head of such columns, and indeed its message is as clearly understood as if a voice exhorted all to come ere their heritage be wasted.

Perhaps, in such circumstances, it cannot be called very reprehensible that the student classes of

China should have aided and abetted the more scurrilous portions of the Chinese press, and have sought in minor ways to translate into action the inflammatory language which has been such a marked feature of vernacular organs during the past months. They have felt, have these students, that the light of China has been placed in their hands, and that if they do not make it shine so brightly that all eyes may see it, they will have signally failed in their duty. Students are therefore almost always the leaders of every small disconcerting movement which, if not nipped in the bud, may blossom forth with alarming growth; students distribute handbills dealing with boycotts; students address meetings, and, with texts culled from their new school-books, argue about the rights of man; students resurrect from the translated literature of Europe half-forgotten sayings of the eighteenth and nineteenth centuries. And such strides have they made in numbers and in influence, and so much is the old method of learning being forgotten, that the Central Government will shortly appoint to all the provinces Modern Directors of Education, affiliated to the new Board of Education, to take the place of the expiring class of Literary Chancellors who have done duty for so many centuries. Already the highest degrees have been conferred by special edict on some of the most brilliant students who have returned from Japan, having succeeded in passing stringent examinations in Tokyo; and by these twin acts the government

has showed that the great era of educational reform has at length arrived.

The students, the newspapers, the Guilds, and the other important members of the popular movement in China, looking around them, have in due course settled on two things which they consider most harmful to the national well-being at the present moment. These two things are quite dissimilar to one another: they are railways and missionaries. It may be broadly said that away from the open ports the only expression of the white man's activity and presence in China is displayed in these two agencies. That is to say, excepting at some two-score treaty ports the European is really a negligible quantity, although his desires, whetted by the riches of China, may in due course lead him much farther afield, unless the conviction be thoroughly brought home to him that he moves at his own cost and peril.

During the past year and more there has been an almost wholesale attempt, in pursuance of these ideas, to regain possession of all those railway concessions which were obtained during the six or seven years of active intrigue which preceded the Russo-Japanese war. This movement has been almost entirely a popular one, and although Chinese official action has had to be enlisted to support the popular initiative, this has largely been because the cancellation of the contracts under which concessions were held by foreign syndicates necessitated the co-operation of provincial officialdom.

Therefore it is proper to class the concession-cancellation mania as a purely voluntary move on the part of the people, made to prove that one portion of their idea of "China for the Chinese" is that no European concern may continue the policy of "pacific penetration" by means of the steel rails.

The most notorious case in this curious railway business has of course been that of the much-disputed Hankow-Canton railway line. It is needless to refer at any great length to this special case, as the only point which it is at present necessary to establish is the action of the provincial populations in the matter. After a rather chequered history, in which it was at once the prize over which various foreign syndicates fought and the stumbling-block to the realisation of half a dozen other schemes, this concession was bought back by the Chinese Government from the American Development Company—which still held the nominal concession—for the same sum as had been squandered in beginning the work. The sum payable was a little more than a million sterling, and as China had no liquid funds, the British Government lent the necessary sum at 4 per cent interest. By the payment of this sum the control of the line—only a very small section of which had been built—reverted to China.

It was probably owing to the rumour, inspired by the same parrot-like and, at times, unreasoning cry of "China for the Chinese," that England intended to build the whole system herself, because she had lent the money with which to redeem the concession,

that the extraordinary spectacle was witnessed at Canton of a series of mass meetings of native gentry and merchants being held, in which resolutions were unanimously adopted that the sections of the railway lying within the limits of the Kuang-tung province should be built with Chinese capital alone. And not only were such resolutions adopted, but a scheme was subsequently drawn up providing for public subscription in the form of small bearer shares. About a million sterling was almost immediately subscribed with great enthusiasm, and the first call, amounting to some £150,000 sterling on the issued shares, has already been duly paid up. Although difficulties have naturally arisen between the provincial authorities and the public-spirited people who have at length realised that they must put their hands in their pockets if they are really to become the developers of their country in a modern sense, it now seems clear that we are on the eve of having modern Chinese share companies, on the most approved model, called into existence solely owing to the fear that foreign control and capital will penetrate from coast and river far inland until they enslave every one. It is expedient to remark that, if purely Chinese joint-stock companies are to exist, it is just as necessary to put into force a series of Companies Acts for their control as it is to have modern press laws to regulate the inflammatory newspapers. Otherwise the present reasonable attempts will almost certainly end in failure, because of the non-definition of authority and responsibility,

and of the interference which grasping and ignorant officials will always attempt to make in company finances.

In the action of the people regarding the building of this Canton railway there is nothing which can be criticised. The concession had been openly redeemed; the Chinese Government had recovered full liberty of action in the matter by exercising an unquestionable right of purchase; and if it chose to allow a provincial population to enunciate a sort of new Monroe Doctrine, that each province in China must build its own railway lines, it was simply smiling on a sentiment which was a harbinger of good. The only thing which remained for the Central Government to do was to arrange for adequate supervision, and to impose a time-limit during which construction work would have to be completed. Of course neither of these things has been done, and therefore the action of the Canton people has not yet been translated into practical business methods. These points are mentioned merely in parentheses, to prepare the ground for the following. For in these railway questions there is a second class of demands for cancellation which is not so well inspired, viz. for the cancellation of those concessions for which a preliminary contract has long been held, and which have not been proceeded with owing both to the recent war and to other causes.

The most notable of these cases have been the threatened cancellation of the highly important Kowloon (Hong-Kong)-Canton line—a line about

120 miles in length, which will place Hong-Kong (now the premier port of the world measured in gross tonnage entered and cleared) in rapid communication with Canton, a city of 2,000,000 inhabitants—and of the Hangchow-Ningpo extension (some 200 miles) of the Shanghai-Nanking railway now building. Both these concessions have long been held by the British and Chinese Corporation, and although far too much time was allowed to elapse before attempting to undertake construction, this period of culpable inactivity is now over, and rapid work is proceeding on sections which cannot be affected by the agitation, since final contracts have been signed, sealed, and delivered. But where there has been no final contract, agitation continues to excite the people, and meetings foolishly pass resolutions that the Chinese can themselves easily raise any sums necessary, and that foreign "help" must be driven away at all costs.

Fortunately in the matter of the Hong-Kong-Canton railway a settlement has finally been arrived at, and in its new form the line will probably be worked more advantageously than would otherwise have been the case. In the matter of the second line, the Hangchow-Ningpo-Soochow, negotiations are still proceeding, and may be counted on to come to a satisfactory conclusion if there is give and take on both sides. In each case it has been the action of the local gentry and students which has caused all the embarrassment; in the case of the Hang-

chow-Ningpo line, the Peking Government actually alleged that it could not force a provincial population to accept its ruling in a quasi-foreign affair without fear of an outbreak. It will be seen, then, that from every point of view the railway question is no easy one to deal with, and that further developments may be expected.

For in every province where concessions have been demanded, or railways have been planned, by European syndicates, the gentry and students have been holding mass meetings, and feverishly declaring that no one shall build lines in their provinces but the people themselves. This has been the case in the populous and rich province of Szechuan (the population of this one province is said to exceed the population of the entire German Empire); it has been the case in Fuhkien, Shansi, Kiangsi, Shantung, and to a lesser degree in nearly every one of the other provinces. The people protest that no more concessions can be given; that every existing ratified concession, or concession for which an unratified preliminary contract is held, must be cancelled; and that if the Central Government refuses to take action, the people will know how to protect themselves. Such ugly hints are not lost on a government which is still weak, and the evil from within having become worse than the evil from without in this particular matter, the Wai-Wu-Pu, or Peking Foreign Office, has become absolutely stubborn in its attitude towards all European concessionaires.

This general position of stalemate invites at once two pieces of criticism. During the recent mania for rounding-off interests which seemed to infect many big British corporations—probably owing to the lead given by the British Government—an understanding has been come to with continental rivals by British companies in the field to divide up contested concession areas into *pro-rata* divisions. That is to say, in the case of Szechuan Province, where British interests and that of the Franco-Belgian combination (to which such copious reference was made in a previous volume) have clashed for years past, an understanding would appear to have been arrived at to assign 40 per cent of all construction work to the British, 40 per cent to the French, and 20 per cent to the Belgians. The same policy is likely to be followed in Honan and Shansi; and once a success has been made in one quarter and Chinese opposition overcome, this method of "rounding-off interests" would be in danger of becoming general.

It is here, fortunately, that this Chinese agitation becomes beneficial. The Chinese do not want any of these unholy combinations, and may be fully counted on to oppose such doubtful experiments tooth and nail. Not only do they not want concessions to go to a company of one nationality, but the idea of allowing nations to group together so as to exploit large areas is absolutely repugnant to them. They realise, in an indefinite sort of way, that from a British company they have not very

much to fear, in fact really nothing at all, since of the hundred odd joint-stock companies registered under the Hong-Kong Ordinances and operating in China, *a very large proportion of the shares are held by Chinese, who come into the market and buy and sell in exactly the same way as is done elsewhere.* That is to say, that in many cases the Chinaman, as a private individual, is as much interested as the Englishman in the success of the ordinary Far Eastern joint-stock concern. In the matter of railways all this would be changed. Big loans are always floated in Europe on one stock exchange or the other: a gathering of Europeans come out to the East who have no permanent interests in, or connections with, China; money is spent with no very clear system of accountancy; the only people who know the inner state of affairs are a peculiar class of Chinese official—the "business officials" of the type of Sheng Taotai, whose name is so familiar that it is well to quote it—and finally there is a railway managed from Europe. Chinese irritation against such a system is well founded and should be encouraged, and it is to be hoped that the new system of pooling interests will never be allowed to pass beyond the paper stage.

The second piece of criticism invited by this railway stalemate is the ill success which Chinese efforts, intrinsically beneficial to the whole Empire, will meet with, unless there is a little more common sense and a little less perfervid speech-making. That every one is terribly in earnest it is best to admit

for the sake of argument; but that there are some kinds of earnestness which partake rather of the nature of a camp revival meeting than of a gathering of hard-headed business men, is at the present moment equally patent, when one reads the speeches and resolutions of patriotic provincials in mass meeting assembled. Indeed, such meetings are almost like the old kind of missionary meeting, when fervour and sentiment took the place of figures and facts. Speech-making is useful in its own way, but hard work is much more to the point. What is wanted, and what will probably be conspicuously wanting for many a long day to come unless there is outside help, is a working scheme which will allow enthusiasm to be crystallised into dollars, and then to develop naturally into something as permanent and as tangible as railways. In all the meetings of the gentry which have taken place in so many of the provinces of China, the only place where money has been actually subscribed, and a small first call paid up, is at Canton. Opinion is still divided as to whether the £1,000,000 sterling subscribed at Canton will ever be actually available or not; but supposing that it is, it will require at least another million sterling to complete the railway to the northern boundary-line of Kuangtung province. Where is the money coming from? How is it to be raised? Who will be bold enough to exercise effective supervision? These are some of the questions which immediately press for reply.

The answers are partly supplied first by a derelict railway in South China, and second by a railway in

the making on the Yangtze. In the first case (the Swatow-Chaochaofu line), a couple of years ago some enthusiastic gentry and merchants, who had more energy than common sense, decided on independent action. The line in question leads from the treaty port of Swatow, in Kuangtung province, to the prefectural town of Chaochaofu, a score or two of miles inland. So that nothing resembling a European should have anything to do with the enterprise, Japanese engineers were engaged and entirely controlled the work. The result is that now, in the present year, the nominally completed line is so poorly built that trains hardly dare venture on it. The local exchequer also is empty; there is no money to build stations nor yet to buy adequate rolling-stock; the embankments are falling to pieces, undermined by the torrential rains of the East; and the local people, having had more than their bellyful of railway enterprise, will have nothing more to do with it. The second case is that of the Wuhu-Nanking railway. This short projected line, which is to run from the treaty port of Wuhu into the back-country, and from thence on to Nanking, is a creation of Lord Li's—the late Li Hung Chang's adopted son, who has inherited his father's marquisate. Being in Anhui province, which is famous Li Hung Chang's native province, it is peculiarly "patriotic" for the adopted son, who has all his father's immense wealth behind him, to design and build this line. There was a good deal of trouble about the enterprise in the beginning, because the Chinese were very anxious

to place the railway terminus in the heart of the treaty port Settlement in order that traffic might grow magically. This point, which involved the surrender of land held by powerful British firms, was finally won, and surveying and construction nominally commenced. At the moment of writing, however, it transpires that the total sum which Lord Li proposes to subscribe to the venture is £2000, and that the other enthusiasts will model their subscriptions on this basis. Unless some radical change speedily takes place, therefore, the line will never be built with native capital.

These two points fitly illustrate the many difficulties which have to be overcome by the Chinese themselves before their proposed co-operation in modernising work—a co-operation whose primary object is to forestall the European—can be productive of sound results. The mutual distrust which has prevailed for so many years can scarcely be overcome by mere platform declarations and virulent articles in the vernacular press, and unless the wealth of the country is liquefied by financial reforms, no large sums of money can be tapped. That is to say, although the wealth of the 430,000,000 inhabitants of China would probably be reckoned at an immense figure by a statistician such as Sir Robert Giffen, the actual sums which can be placed in cash on the table are ridiculously and incredibly small. This is because of the fact that credit—not credit of the European type but of an entirely different sort—has long invaded every field of enterprise in China, and

in fact is the leading principle in the commerce and industry of the country. Many centuries ago co-operation was developed to such a high pitch that it may be said that, except in a very restricted sense, the circulating medium has not been money, but rather goods and produce. The fact that *mills*, or the common copper *cash*, should be practically the only coinage which has ever had any extensive circulation in China, is an obvious corroboration of this; for every business and enterprise, except petty hawking on the streets and small purchasing, is conducted on a profit-sharing basis, and employees draw their wages in lodging, clothing, and food (which is largely paid for by the firm which employs them, by a settling-day balancing of books), and receive their bonuses in coupons which give them an actual interest in the particular business of which they are servants. A remarkably clear if somewhat exaggerated account of this credit-co-operative system is given in certain chapters of that otherwise untrustworthy volume, *A Russo-Chinese Empire*.[1] Monsieur Alexandre Ular has evidently at least understood something of a little-explored and less-advertised subject. The enormous growth in prices, which has been one of the most astonishing and disconcerting features in the treaty ports of China during recent years, must be primarily if not entirely traced to the invasion of European methods of payment into Chinese life. The disbursing of monthly wages and salaries on a basis fixed by

[1] Messrs. Archibald Constable & Co., Ltd.

European supply and demand has broken down to an appreciable extent the old Chinese system along the coast-line fringe, and thereby made people require more and more money. No fitter illustration could be found of this somewhat strange condition than by turning to Japan. In that country—a poor country measured by European standards—no great difficulties have been experienced in imposing permanent yearly taxation, estimated to amount to 2.21 per cent of the entire national wealth. This national wealth, according to investigations made by certain authorities, amounts to Yen 13,560,000,000 (say £1,356,000,000 sterling), whilst the national and other taxes in the calculation made above amount to Yen 290,000,000 (say £29,000,000 sterling). The startling nature of this taxation is revealed when it is remembered that it was stated after the South African war that, after all said and done, Great Britain had only spent in three years' warfare 5 per cent (or £250,000,000 sterling) of the wealth of the country as represented by the grand aggregate of invested capital quoted on the lists of the London Stock Exchange (£5,000,000,000 sterling). Yet the spending of that inconsiderable sum—inconsiderable when compared with the strain silently borne in Japan—caused universal lamentations. But since the conclusion of the struggle with Russia, the war taxation in Japan, which, according to ministerial statements, was not to be continued for more than one year after peace had been declared, has been permanently imposed, and the national taxation may

now be said to amount to some 3 per cent of the wealth of the country.

The explanation of this is undoubtedly partly to be found in the fact that expansion in Japan during the last decade has been phenomenally rapid, and that this so-called expansion has largely been merely the translation into modern forms of a hidden wealth which has existed in a dormant condition for some time past. The inauguration in Japan of the gold standard, of savings banks, of industrial banks, and of a thousand and one other things, has permitted this wealth to be exposed in definite forms. In ten years, the savings banks deposits in Japan have increased 220 per cent, while the amount invested in business has been nearly trebled. Everywhere there are signs to be noted that the passing of Japan to entirely European methods has been responsible for the most astounding results, which would not fail to puzzle statisticians were it not for the explanation which has been advanced.

This digression makes the position in China much clearer and more understandable. China, still in the throes of doubtful fiscal reforms, is beginning to feel keenly the outflow of treasure amounting to some £7,000,000 sterling per annum, which has been brought about by the imposition of various indemnities ever since her disastrous war with Japan twelve years ago. That this sum of £7,000,000 sterling does not actually leave the country, but is paid in other forms, makes no difference: it has had the effect of making money become

tighter and tighter, because there has been no compensation and liquefying of assets in other directions. That when such liquefying actually commences there will be astonishing results, is amply proved by the fact that the twelve million inhabitants of the Fêngtien province of Manchuria, during the two years which the late war lasted, absorbed fifty million yen (or £5,000,000 sterling) of Japanese war-notes, which indeed they still hold owing to difficulties about their redemption. In China Proper, were there a sound modern currency, sound government banks, sound savings banks, and sound industrial banks, England's foreign trade would undoubtedly actually be rivalled by that of China in three or four decades.

For then these railways, about which there is so much talk, could be rapidly built through every province. Taking the Indian railway system as a basis (say 25,000 miles for 1,559,603 square miles of territory), China Proper and the other portions of the Empire, such as Manchuria and a small part of Mongolia which is Chinese-settled, require about 35,000 miles of railway for 2,000,000 square miles of territory. Putting the capital expenditure at £8000 per mile, £280,000,000 of money are required to give this modern necessity to the country. At the present moment some 4000 miles (including the Manchurian lines) have been built or are actually building, and some 3000 miles have been projected. That is all. In the estimation just given, that 35,000 miles of main track are necessary at

an expenditure of £280,000,000 sterling, an Indian or Asiatic basis is alone taken. But the extraordinary trading capacity of the Chinese, and their ready adaptation, provided their susceptibilities be not touched, of every modern convenience for money-making, would soon incline them, when they fully understood the great rôle railways play in the industrial and national life of a country, to overbuild rather than underbuild; and therefore it seems likely that, at some time during the present century, at least £500,000,000 sterling will have to be spent in laying down the iron track in China, until every nook and corner in the Empire is reached.

It is a long cry back from where we started with Canton gentry clamouring to build trunk-lines and yet paying with difficulty a first call of £150,000 on their subscriptions, and with Lord Li, heir to the Li Hung Chang millions (which some profess are rather like those of Madame Humbert), putting down a paltry £2000 to forestall the cunning foreigner. It is such a long cry that no difficulty is experienced in understanding the scepticism of Europeans who have resided too long in the Far East to be easily susceptible to waves of optimism. The great majority of opinion even now disbelieves utterly that the Chinese have any capacity for translating their words into deeds, and that in this railway question only the usual result will be attained—stalemate and nothing but stalemate. For whence, indeed, are the Chinese to draw their millions unless foreign stock-markets give them help? Think alone of the millions and

tens of millions of tons of steel that are required and must be bought and paid for. China has exactly one steel-rolling mill—the Hanyang works at Hankow on the middle Yangtze—which is a very small concern when compared to the great works of Europe and America. She needs factories and workshops on the scale of those of Krupp and Carnegie, and she has at present absolutely no means of creating them. The only native banks in China that have any solidarity or real financial backing are the somewhat mysterious Shansi banks, which have possessed the privilege of banking or handling government funds for centuries, and which do the majority of the "financing" on the Chinese side in the foreign trade. These linked Shansi banks, which operate all over the Empire, have undoubtedly sums of money always in hand, but even such sums, when measured by European standards, are ridiculously small. The rest of the Chinese banks are mere extensions of the "*cash*-shop." At most they have a capital of from £20,000 to £50,000, and the majority not more than from £5000 to £10,000. A transaction requiring the employment of £50,000 or £100,000 has to be "split" between half a dozen or more friendly houses, and even then embarrassment may be the order of the day. The rich men of the Empire, since ready money is always scarce and very high rates of interest easily obtainable, put every dollar and *tael's* weight of silver they possess into pawnshops or warehouses, or into some form

of business, such as "financing" a new official who has no funds, but who, as soon as he has been a few months or a few years in office, can repay his borrowings with a very high rate of interest added. Everybody is always borrowing or lending money in China; it is a perpetual business which never ceases. The petty trader who goes forth with a wheelbarrow load of vegetables, unless he is a countryman selling his own produce, trades on a few hundred or a few thousand borrowed *cash* which he must repay in part or in whole at the end of the day's work; a man who sees an opening in some new business begins by a process known as *ts'on Ku*, or inviting the co-operation of others. He goes to all his friends and induces each to take a small share, and he is then appointed manager of the business with a couple of sharp-eyed fellows to watch him and all his manipulations with much care. On the road, in the provinces, I have met men in little shops whose capital was less than a five-pound note, and who yet had nine or ten other shareholders interested in the same business. All ready money is made productive as rapidly as possible in China; there are no surpluses lying idle which can be diverted to effect startling changes.

Whence, then, is all this money, which is required to give tangible proof to the world that China is obviously for the Chinese, to come? There is but one answer: it cannot come until immense financial reforms are effected in China, and adequate security and inducements are afforded to all to

invest their earnings in modern forms. Years and even decades must pass before this can be done unless the services of Europeans are sought; and as this conviction is slowly forced home, we may perhaps expect to see a modification of the present attitude and a gradually stilling of the present incoherent and senseless cries.

Last of all we come to a final question which swings the Chinaman directly across the road of the Caucasian. It is the eternal missionary problem.

As has already been said, it is because the missionary wanders so far from the open ports that he is viewed with such concern, and is so often treated with such immense cruelty. He is at once the first and the last forcible expression of the European's never-ending activity, and always seems to be the vanguard for "pacific penetration." He establishes himself everywhere; he builds himself houses and churches; he collects round him a small gathering of men who are too often looked upon as renegades by their fellow-countrymen; he is always planning and acting, and is therefore esteemed a nuisance. Whenever his actions bring him into conflict with vested interests, as often as not he can ultimately gain a decision in his favour—thanks to the operation of the principle of extra-territoriality—by invoking the hidden powers which are centred in treaty ports in the persons of Consuls. Obviously, therefore, he alone constitutes the germ of an *imperium in imperio*. And if that germ is not stoned and otherwise severely handled whenever it demonstrates its

inherent disintegrating power, a provincial population may be counted on to have lost its essential Chinese characteristics.

During the past twelve months there have been two very serious missionary massacres. It may be said that if any impartial court in the world had the entire evidence in these two cases before it (by which is understood the local conditions, the historical aspect of the missionary question, the political unrest in the Far East, and certain other considerations), although a verdict of murder would be brought against the culprits, a rider would undoubtedly be added to the effect that the diplomatic representatives of the Great Powers were guilty of culpable negligence, and were almost accessories to the crime, by having permitted the present state of affairs to continue indefinitely in China, after past experience had amply proved that trouble would always result unless a definite *modus vivendi* were agreed on, which would render it impossible for missionaries to mix themselves up in any way with affairs which were not strictly within their immediate province. This is amply proved in entirely different ways by both the Lienchow and Nanch'ang affairs.

In the first case, resulting in the death of five innocent people, a dispute arose over a very trifling matter. A village festival, in which idols and the usual accompaniments figured, invaded a piece of ground which belonged to an American mission. It is stated that a *p'eng* or bamboo-matting structure was put up, and that in spite of all protests the

celebration was conducted in a manner which could not but be intensely displeasing to those who had come from afar for the avowed purpose of preaching the religion of Christ. How the first blows were struck, or whether there were actually more than words, are points on which the evidence, as is usual in such cases, is not quite clear. But the general *modus operandi*, as the result of the friction, seems to have been the same as it has always been. Crowds gathered in the township of Lienchow, near the mission; men beat gongs and called upon the people to rise up and destroy the men who despised their faith; all the roughs, bullies and loafers, who are such features of Chinese cities and villages, worked themselves up into a largely fictitious fury inspired by the prospect of loot; and helter-skelter a mob of two or three thousand people advanced on the Protestant missions. It was the usual story which has been repeated a hundred times in thirty years.

Fortunately there had been delay, for the Chinese, in common with the Japanese, possess the cunctative disposition to an exaggerated extent, and love to deliberate. Had all the missionaries fled rapidly, they would undoubtedly have been saved, since the officials took some action at the eleventh hour. Yet it was not to end so peacefully. Some were caught and brutally slaughtered; some escaped. The affair became a *cause célèbre* for a few weeks in China, and the United States Government, until it was in possession of all the facts of the case, seemed bent on exacting exemplary punishment. It would

appear to have soon transpired, however, that there had been a long-standing dispute between the American mission in question and the local landowners regarding some land, and that the incident of the village festival had simply set the spark to an existing powder magazine. Here, then, is the germ which should receive scientific treatment—the question of mission land in every phase; its acquisition, its holding, and its responsibilities. Once more has that profound Persian proverb, that in money, women, and land are to be found the seeds of all trouble, been proved peculiarly true in Eastern countries; and land is the most dangerous of all.

In the second missionary disaster, the echoes of which have hardly yet been stilled at the time of writing, a still more horrible series of crimes was committed, involving the sacrifice of absolutely innocent persons who were not in the least implicated in the trouble. At Nanch'ang, which is the provincial capital of the province of Kiangsi on the Yangtze, a Roman Catholic father, named Père Lacruché, invited a territorial official to a feast on the mission premises, so that a long-standing dispute regarding a Roman Catholic missionary claim might be settled. It is right to note that the French father was probably acting under instructions from the higher ecclesiastical authorities.

The Chinese official came, the matter in question was duly gone into, and some papers appear to have been drawn up. Then the Chinese magistrate, who seems to have previously compromised him-

self both with his own people and with the mission by making extravagant promises on both sides, suddenly saw the hopelessness of his position. He forthwith retired into a separate room, seized something like a pair of scissors, and deliberately lacerated his throat in a horrible manner. Later on he enlarged the wounds with his own hands and died.

Meanwhile his servants, willing or unwilling accomplices, rushed out and raised the hue and cry. The magistrate, as he was dying, confessed that it was no other than Père Lacruché who had stabbed him; and he was carried away amidst terrible excitement. In vain the miserable French father wrote letters to the higher Chinese officials detailing the whole affair; he could not still the rising storm. Placards were quickly printed and posted, the populace was called upon to rise, and three days after the actual stabbing the murdering commenced. An enormous mob surrounded the French mission, driving away the Chinese soldiery, who were outnumbered five hundred to one; the mission was wrecked and burned; Lacruché was tracked down like a hunted animal and torn to pieces in an adjacent native house; six Marist brothers were butchered, and two English Protestants, man and wife, met the same fate. A number of other missionaries escaped, partly owing to the tardy action of the authorities, who despatched soldiers and disguised the refugees, and partly owing to warnings brought by native Christians, who fled swiftly to their teachers carrying word that death

was coming. After all was over the provincial governor marched 5000 troops into the city of Nanch'ang, closed the city gates, and proclaimed a sort of martial law.

The Nanch'ang tragedy was therefore complete and occurred in the usual way. The mob, incited by dastardly placards, which alleged that the hated foreigner had killed a Chinese official (the "father and mother of the people" in the vernacular), was an expression of "China for the Chinese" brought about by the culpable negligence of European diplomatists in allowing missionaries to have any such intercourse as has been described with territorial officials. Since the missionary is under the jurisdiction of his own national laws, there should be but one channel through which all intercourse with native officials must be conducted. That channel should be the Consul, and as long as the present unsatisfactory state of affairs is allowed to continue, so long will there be massacres. It is imperatively required that the machinery for missionary control be improved; common justice, common humanity, and common Christian charity demand it. A conference of representative British and American missionaries, whose fields of enterprise are mapped out district by district, and whose close co-operation in such a matter may be expected, should demand that rules and regulations be drawn up in Peking by an Anglo-Chinese Commission to provide for every possible contingency, that these rules and regulations be signed by every Protestant

missionary before he is allowed to go into the interior, and that they be found in the Yamen of every territorial official, high or low. Every missionary outrage which has occurred during the past half-century should be examined carefully by such a Commission, and the cause of each dispute traced to its fountain-head, so that provision may be properly made for the future. On the other side, the case for the Chinese Government should be paid strict attention to, and the peculiar difficulties of a government which governs by equipoise, and by equipoise alone, fully realised. The drafting of such rules and regulations, and their wide circulation over the whole Empire, would alone do an immense amount of good; the inclusion of pains and penalties, making it incumbent on a Consul immediately to expel from China any missionary who deliberately broke the laws thus agreed on, and forcing the mission concerned to pay in addition a heavy fine, would soon bear fruit. The detested class of difficulties which are the nightmare of territorial officials—*chiao an*, or religious cases—would soon grow smaller and smaller until they finally disappeared. Already independent mission bodies have taken sane action, and mutually agreed that in no case will they mix themselves up in the lawsuits of their converts; but such unofficial action is not enough; the question must be dealt with by diplomatists duly authorised to that effect.

And if the Protestant missions take matters into their hands in this manner, the Roman Catholic

missions will be forced by the Chinese Government to follow the example set. Already France, owing to the termination of the Concordat, has been obliged to inform the Chinese Government that only French subjects in the Roman Catholic missions in China enjoy French protection, and that the other fathers and brothers of Spanish, Belgian, Italian, or other nationalities will in future be looked after by their respective governments, thus terminating an historic connection between the French Legation in Peking and the Romanist propaganda; and if the Vatican comprehends something of the immense importance which psychological moments possess in the East, it will see that the time has arrived when a Papal legate should be appointed to Peking, and the entire question of the control and discipline of the Catholic missions finally settled. If no steps are taken during the next few months on the European side, the Chinese would do well themselves to bring the matter before the public both in circular notes and newspaper notifications. Such a powder magazine as the missionary question always is, must be surrounded by such very high walls and by such impregnable defences that torches cannot be suddenly thrown into it by ignorant mobs, and a general conflagration started.

In the various ways detailed is the movement of "China for the Chinese" being popularly developed. Everybody now is on the alert; every missionary, every merchant, every correspondent, every nonde-

script, every Consul is on the *qui vive*; every small incident is noted down and reported, and the curious unrest in the whole Empire is thus singularly well advertised. That there are many very disconcerting symptoms is true; that the Central Government is none too strong is plain; that there are many plotters at work is self-evident. But all dangers may be averted, and all difficulties triumphed over, if intelligent action is immediately taken whenever a crisis appears to be approaching. It is an extremely difficult subject to deal with, undoubtedly the most difficult in the world; but there are many intelligent men in China who have the country's true interests at heart, and it is sincerely to be hoped that between the Europeans and such Chinese there will be the closest and most intimate relations, and that by this means sound progress will finally triumph.

CHAPTER IV

THE OPENING OF CHINA

Two questions, closely related to each other, but still somewhat distinct, have now to be discussed. It has been shown, as clearly as possible, what is actually occurring in China, and what is the inner meaning of the acts which are so often chronicled with warning headings of big black type in the European and American press. It has been made patent that there are great things in the making in China, and that many entirely new factors have now to be seriously considered. It has also been shown that there is a new menace—a menace of which it is impossible to say what form it may ultimately take, but which undoubtedly exists.

So many things have occurred to upset century-old conditions that there is nothing surprising in this. It is but one of the inevitable results of the impinging of Europe and European ideas on China and Chinese ideas. And with everything thus against it we come to one of the last questions—the so-called "Opening of China."

It was immediately after the conclusion of the sudden Portsmouth Peace that this matter received

the greatest amount of advertising, and that editors in almost every part of the world filled their columns with articles on the benefits which would accrue from the immediate opening of China. It would have been an interesting study if one could have despatched telegrams to every organ dealing with the subject, inquiring in pertinent terms what was really understood by the "Opening of China," and how it was to be effected.

For to students on the spot, it seems that people writing at a distance ranging from five thousand to ten thousand miles away have but small conception of what the opening of a country such as China means, and that a curious forgetfulness must overcome them one and all. The forgetfulness is most marked in one important particular: it is merely that China is as much opened as is possible until natural development makes of her the great country she deserves to be by reason of the inexhaustible richness of her soil and the never-ending industry of her people. Writers, perhaps unconsciously, think of the oyster simile and imagine that the knife of a diplomacy which will take no denial is all that is needed to prize open a merchant's Golconda. Alas! such a metaphor is absurd. China was a highly developed country when the forebears of present-day writers were scratching their backs against the trees of primeval forests. China understood the decimal system about four thousand years ago; she dabbled in transcendentalism at a period hardly less remote. Her provinces are therefore

not virgin prairies awaiting the hand of the pioneer; they are densely populated lands filled to overflowing with a race of agriculturists who year in and year out are never weary of the impossible task of attempting to extract just a little more than the maximum which the soil can give even when coaxed with the most patient hand and with the most reeking manure. Her cities, although decaying amidst ten thousand smells, each one of which is alone capable of entering the arena against the immortal odours of old Cologne and of inflicting summary defeat, are as numerous as the greatest champions of urban life could wish. Year in, year out, the complex wheels of Chinese life run round and round; and even when the sun beats so fiercely that intramural estivation seems but a horrid nightmare, the Chinaman of the cities is still endlessly directing and controlling the buying and selling of the Chinaman of the limitless fields. In a word China is a highly organised and highly developed entity, possessing conditions and standards of life which are so entirely different from those of the Caucasian, that to speak of the opening-up of the country in the sense which is understood in Europe and America is to be somewhat foolish. It would have been possible at one time—say the time when Ward and Gordon began taking those steps which regained for the Manchus their fast-crumbling Empire, during the worst stages of the Taiping rebellion—it would have been possible at that date to have opened the country by allowing the overthrow of the present dynasty, and by pouring

in a very large number of troops, which might have been stationed all over the country and could then have imposed their will by military domination. But such a time is over and finished with. In 1900 fifty thousand European, American, and Japanese troops could do little more than devastate a portion of the metropolitan province of Chihli; their action deepened rather than diminished the old Chinese exclusiveness. So far from the oyster being opened, it closed down still more tightly.

It is thus clear that neither military nor yet menacing diplomatic pressure can effect very much, except in isolated cases where the Chinese are clever enough to see that they are entirely in the wrong and must sooner or later give way. One thing alone can sweep away all the impediments which are now so bitterly complained of, and which are always alleged to block the opening of China: it is the action of the Chinese themselves.

In the circumstances which have been related this alone is a grave admission to have to make; for it has been shown that for the moment at least —whilst heads are hot and burn with new ideas —China is admittedly for the Chinese. The Caucasian, after having been a source of irritation and disaster for many a long year, is now being taken at his own word. He has been telling stubborn, foolish, conservative China, which centuries ago understood that continuity and rigidity are immense forces in the political life of a people, that she must learn, become a modern, up-to-date, steam-driven,

gold-standardised, armour-clad Empire. After many years of such advice, wars and expeditions, excursions and alarums, have at length sounded the tocsin which calls to arms both the dweller in Chinese cities and the tiller of Chinese fields. The very masses of this stupendous Chinese population show what latent forces have been set in motion. Think of 430,000,000 of men and women; think of a population which is added to at the rate of one Chinese baby every twenty seconds; think of the Taiping rebellion, which cost one hundred millions of people; think of all this, and then discuss the opening of China.

For since you cannot open China by armed force, nor yet by a diplomacy which imposes its will regardless of all opposition, there remains but the patient diplomacy of the friend who points out and advises, and assists whenever assistance is a real necessity in order to induce action. This is so different from what is generally understood, is so little in consonance with the ordinary doings of diplomacy, that there might well be much hesitation. Yet this assistance is frequently given in a disinterested fashion when imperative necessity can be shown to demand it. Thus in the matter of the Hankow-Canton railway the British Government lent China over a million sterling at a low rate of interest in order to solve a question which might have led to quasi-international difficulties. And if the history of the past half-century in the Far East is searched, cases will be found when other Governments made

monetary reparation after extortionate demands had been complied with. Some people, however, indeed most people, suppose that in some occult manner Japan will be the medium by which China is opened, absolutely and thoroughly, so that every one will be able to do as he pleases. This is a view, of course, which no one in the Far East advances; for it is too generally understood that Japan's hands will be as full as they can possibly be for a good many years to come, and that Japan, when all is said and done, is in exactly the same position as any other Power as regards China. Indeed, she cannot yet be called a senior Power; she is engaged in escaping from the lowly position in Chinese eyes which she has occupied for so many centuries past. Her diplomacy, even when backed up by armed force in Manchuria, can do just as much as, and not an iota more than, that of any other Power similarly situated. In Korea, in order to establish a nominal protectorate which rests on the feeblest foundations, she has had to make use of means which would have a very ugly look were the Hermit Kingdom ten thousand miles nearer Europe. Thus the idea that Japan, because her people spring from approximately the same stock as the Chinese, and because their written language is much the same, should be able to do what no one else can do, is absurd. Englishmen and Americans are far more nearly related in every possible way than Japanese and Chinese; yet no one would expect England to force advice on America, or for America

to do the same thing to England, without the immediate danger of war. Because China is manifestly weak at the present moment, and because one of her most precious assets would appear to be a rather incoherent and very much misunderstood thing—to wit, the great cry of "China for the Chinese"—people should not make the mistake of supposing that she does not dare to compare herself with Japan, or does not look forward to the day when she will treat with Japan on terms of equality, not to say superiority. For the fact is that she does, and there are little signs to be seen even to-day that China will abandon Japanese instruction as quickly as Japan abandoned European instruction, the very moment she is able to dispense with it.

It should be clear, then, that in the matter of the opening of China all the Powers, so far as geography, race, religion are concerned, are on exactly the same footing. In this connection a single reservation should, however, be made. It is that those Powers which have an abundance of capital lying idle, and are not afraid to venture that capital so far afield as China, are far more favourably situated than poorer countries who, the Chinaman immediately sees, wish solely to benefit themselves. It is well to note that, of the poorer countries which have interests in China, Japan is the poorest, and that all the Chinese know it. More in pity than in anger, in every conversation or argument in which Japan and the Japanese programme are the subjects, the Chinaman is apt to end by exclaiming

that they are such a poor race that they must seek to enrich themselves at the expense of China. It will be observed in passing that there is sublime conceit in such a comment, since, although Japan is admittedly a poor country, her foreign trade is only slightly below the foreign trade of China in actual value and volume, whilst the trade per head of population is about six times as great. Similarly, whereas China's entire revenue is about £15,000,000 sterling per annum, Japan's is about £30,000,000, and whilst the Chinese are beginning to be very proud of their new army, that army numbers but ten divisions with a maximum strength in the field of 125,000 men, whilst Japan has just withdrawn about forty divisions, or over a million men, from Manchuria and Korea, and by 1915 will be able to place at least two millions in the field. What, then, is the explanation of the Chinese attitude? It is that the Chinaman knows that when he has been properly developed, his natural ability and the resources of his country will allow him to do things on a scale which will completely overbalance the doings of countries less favoured by nature than his own. Yet even when filled with such ideas, he is just as cunctative as he has ever been; he has the extraordinary idea that he should not begin to tap and exhaust his mineral wealth before it is absolutely necessary, and that, if he succeeds in discouraging foreign enterprise, it is he alone who will have the final satisfaction of supplying half the world with steel ingots, and

perhaps all the old world with fuel some day. Flattered by the extraordinary calculations of the traveller-scientist Baron von Richthofen, who years ago estimated that China has deposits in coal and iron sufficiently rich to supply the entire world for several thousand years, the Chinaman wishes at this very moment merely to be quite sure that nobody shall begin to strip him of these remarkable reserves of wealth—in a word, that everything should be left for him to develop just in his own way and at his own time. And harping on this strain endlessly, Chinese officials and intelligent Chinese students of events pass their time in devising new means of checkmating every move which aims at undermining the strong position which begins a mile outside the limits of the treaty ports.

It is plain, then, that nothing heroic can be attempted, and that indeed heroic measures are exactly those which are calculated to cause a great set-back by increasing the stubbornness of the day. It is only by cultivating the Chinaman's friendship; by proving to him by acts and not by words that the intrusion of privileged enterprises, such as great mining concessions and railway concessions in which the foreigner demands that he be the only principal, is no longer contemplated, that the day will be won. In other words, the Chinese must in future be sought as partners in one form or another, and must become personally and financially interested in every big enterprise conducted away from the treaty ports, so that their latent enmity is turned

into ardent championship. It is only by combining Chinese and European interests on the modern company system that the opening of China can be really effected. And here, so as not to prolong unduly this discussion, it is well to turn to the much-abused Mackay Treaty of September 1902—a treaty which has not been put into force except in a most trifling manner—and see which of its clauses will help in this opening.

A cursory examination shows that the germs of the so-called opening of the country are to be found in this treaty, which has lain half forgotten in the archives of Peking and London because of the rush of tremendous events and the difficulty of making a sensible beginning. In the critical examination which follows only the important clauses will be fully dealt with, since the whole treaty may be found in one of the appendices to this volume. The treaty is the logical successor to the long line of agreements which began with the Treaty of Nanking in 1842.

The first Article deals with the minor question of the issuance of customs drawbacks, which for years caused much friction, but which has now been fairly solved since the clause was put into force. Immediately following this comes almost the most important matter in the whole instrument. For in this fateful Article II. it is curtly stated that "China agrees to take the necessary steps to provide for an uniform national coinage which shall be legal tender in payment of all duties, taxes, and other obligations throughout the

Empire by British as well as Chinese subjects." So much has already been written in preceding chapters regarding the present involved financial position in China, that it is almost wearisome even to touch on the subject again. China has undoubtedly done something in the matter of coinage, since for the first time in her history a modern coin—the copper ten-*cash* piece—has in the short space of three years been coined and circulated in thousands of millions, thus relieving somewhat the financial strain caused by the shortage of the old copper *cash*, although it has at one and the same time created a new evil. China has also fixed upon the design and weight of the new silver coin—the *Ku-ping* or Treasury *tael*—but she has done nothing else, excepting to invite Professor Jenks, a distinguished American expert, to Peking for a short time, and to allow him to depart after a few dozen lectures had been given to the higher officials on the elements of political economy and the alluring aspect of the gold standard. And although the Board of Revenue has issued instructions nominally placing all the provincial mints under its direct control, and limiting the enormous output of the new copper coins, these instructions have only been matters of form, since the Central Chinese Government has not the machinery, nor the men, nor the ability, to attend to this vastly important matter. In the case of the great Wuchang Mint at Hankow, it is an open secret that if the huge profits which are now made by seigniorage were curtailed,

the aged Viceroy Chang-Chih-Tung would be unable to finance his portion of the army reorganisation scheme which necessitates his having two complete divisions of troops—say 25,000 men—on a war-footing by the autumn of 1906. It is thus clear that interprovincial, as well as international, complications make the task of the Peking Government in the matter of currency reform extremely unenviable. In a previous work it has been explained at great length how the government of China does not so much actually govern the provinces as check their actions, or rather the actions of the high provincial authorities. Thus in the matter of currency reform, unless the greatest caution be exercised, Viceroys and Governors will band together and practically defy the enactments of the Central Government. Polite forms will of course be used; incipient rebellions will be the cloaks used to hide the real state of affairs, and to mask the threats of men who see in reformed conditions only disaster to their provincial treasuries; and therefore things must be allowed to develop slowly. But still it is absolutely necessary that a prompt beginning should be made, and as far as present investigations show, the first four steps are: the handing over of all provincial mints to specially deputed officers of the Central Government; the closing of all superfluous mints, and the limitation of the output of the new copper coins; the free coinage of silver in the form of the new Treasury *tael;* and the flotation on European markets of a small sterling loan of five or ten millions sterling,

which will provide the money necessary to make a beginning. It is self-evident to observers that China cannot do all this herself, and that expert help is necessary; and the recent edict appointing T'ieh-Liang, the President of the Board of Revenue, and T'ang Shao-Yi, Vice-President of the Wai-Wu-Pu, as High Commissioners of Customs, and the manner in which that edict has been interpreted, thanks to British pressure, show that in this question the Chinese Government can be guided. The enormous relief which currency reform will afford in the short space of three or four years, and the studies which should then be completed, will foreshadow the coming of the gold standard in China. But it is plain that, unless help is given her on the best possible terms, China is not in a position to do very much herself. Every interest imperatively demands that someone should start the wheels moving. It remains to be seen which Power will have the necessary courage.

The third Article in the Mackay Treaty is important only to Hong-Kong steamer companies; and we come next to Article IV., which has, even though indirectly, great importance in the opening of the country. Article IV. may be called the "Company Article" in the treaty, for in this clause China undertakes that all Chinese who have become shareholders in British joint-stock companies shall be held to have accepted, by the very act of their becoming shareholders, the Charter of Incorporation or the Memorandum and Articles of Association of

such companies. And, similarly, British subjects investing in purely Chinese companies are placed under the same obligations as the Chinese shareholders in such concerns.

This is a good and equitable provision, and should pave the way to the adoption of the suggestion being made to the Chinese Government that a complete scheme of modern company law be drawn up and enforced as soon as possible. As the Chinese are already very familiar with modern share-scrip, and hold probably about fifty to one hundred million Mexican dollars' worth of scrip of companies registered under the Hong-Kong Ordinances, such Chinese company law might well follow the British model, and thus lead to a proper connection being established between the stock-markets of London and New York and the China markets. It is, indeed, essential that the bulk of the Chinese officials should be made to understand the intimate connection which to-day exists between the share-markets of the world, and to realise further that it is merely a question of the Chinese being willing to invest capital in order for them to obtain a controlling interest in those things which they wish to manage. The silly dog-in-the-manger policy of to-day will quickly disappear when the Chinaman has realised fundamental principles of this nature; when he understands that the sum total of his wealth, still estimated in copper coins or ungainly bars and shoes of silver, is even to-day sufficient slowly to buy up everything he considers it good business to purchase.

In a word, he should fight fire with fire, and show that he has considerably more of that elemental force than anyone else in the Far East.

In the next three Articles of the Mackay Treaty we have minor matters, such as the removal of obstructions to navigation, the bonding and repacking of merchandise, and the protection and registration of trade-marks. As these are minor questions, it is, of course, these to which the Chinese Government, in pursuance of its old policy of the avoidance of the essential, has paid the most attention. Some steps have already been taken and no further reference is here necessary. And, as if conscious that it does well to shelter itself behind such unimportant clauses, we next come to the crucial Article VIII. This deals with the grim and perplexing question of the abolition of likin.

Everybody who reads a daily paper has become familiar with the word likin—so much so that it need no longer be written in italics. It has become almost part and parcel of the Chinese scheme of things, and to speak seriously about its abolition may seem irreverent. Yet likin, like every other latter-day ill in the East, may be traced indirectly to the European. For likin is an interprovincial surtax, imposed as an aftermath of the Taiping rebellion; and the Taiping rebellion was started by a man who went mad in the Canton province through too much reading of Protestant missionary tracts, and too much listening to a native evangelist whose impassioned words caused him to see visions

and stimulated the hysterical disease which lies dormant in almost every Chinaman. Therefore likin is only forty years old; and yet, unless something is done to hasten its decease, it will without doubt obtain the Biblical threescore years and ten, and still refuse to depart this life. And as it may be called the crux of the Mackay Treaty, it is best to examine as quickly as possible the whole question in its various aspects.

A survey of the Article shows that the Treaty Commissioners approached their task with a full realisation of its complexity and peculiar difficulties, and of the fact that if they solved the puzzle they would be really opening China. The article is dignified by having a preamble of its own, and is divided into fourteen sections, with an annex (Annex B. of the Treaty) of three long documents amplifying points likely to become controversial. The question is therefore exhaustively dealt with. Briefly, it may be said that, excluding opium, which is a special and peculiar traffic, it is agreed that likin be abolished in every form in China on condition that the import duties be raised from the present 5 per cent *ad valorem* level to 12½ per cent, and that native exports be taxed at the rate of 7½ per cent *ad valorem*. That is to say, that the abolition of likin is to be paid for by a large increase in the import duties which are to be levied, and by a somewhat smaller increase in the export duties. The question of interprovincial trade in native produce is also dealt with by allowing a levy of duties by native

custom houses, on the same basis as the export duties payable at the Imperial Maritime Custom Houses in the case of goods proceeding abroad. In addition to this purely native levy of taxes on native goods (as the abolition of likin on native goods *in transitu* in the provinces will mean a very serious loss of revenue to provincial exchequers), the special requirements of the case are met by permitting a consumption tax or *octroi* on native goods to be inaugurated in the places where they are consumed. And so that there may not be vexatious delays and troubles owing to this special tax, which many people declare is simply reviving likin under another name, it is specifically laid down that an officer shall be detached from Sir Robert Hart's Imperial Maritime Customs Service for duty in connection with native customs affairs, and with the consumption, salt, and native opium taxes in every province. Finally, it is mutually agreed in the treaty that this clause shall not be put into force until all the Treaty Powers enter into the same engagement, and that China shall see that the assent of other Powers is neither directly nor indirectly made dependent on the granting by her of any political or exclusive commercial concession. That is as much of this important Article as it is here necessary to insert.

It will be seen from this brief sketch that the likin Article, owing to the peculiar difficulties which have to be met and patiently solved, is not the simple treaty clause which so many people would

like to see. It is undoubtedly cumbered with many restrictions, and it lightens one load only to impose others. But this should be always remembered: that if the financial equipoise of the provinces is seriously disturbed owing to the demands of European treaty-makers, there will be risings and rebellions, and all trade will be, if not entirely interrupted, at least seriously interfered with. Too many people suppose that it is the mere wilfulness of the officials and their grasping greed which are the principal impediments to the colossal development which one day must come. That this is not true will have been partially realised by a perusal of the foregoing chapters. Taxation is badly distributed, and the number of minor officials battening on the people is far too great; communications are bad and costly; the machinery is old and clogged; and whilst, owing to foreign wars and collisions, the people's loads have been greatly increased, there has been no corresponding investment of capital in productive works. Thus there are a hundred disabilities, which must be slowly and painfully removed before the true prosperity of the country can be attained; and although some writers have recently inclined to the view (basing their opinion on fragmentary calculations from the agriculturally rich province of Honan) that the land tax in China could be made to produce the sum estimated by Sir Robert Hart, *i.e.* more than £50,000,000 sterling per annum, allowing every other form of taxation to be quickly abolished, the plain truth is that it produces some

£15,000,000 sterling per annum, only a third of which is accounted for to the Central Government, the rest going towards supporting territorial officials whose salaries are still calculated on the absurd scale in force hundreds of years ago.

Thus it will be seen that the likin question is a very serious matter to provincial China; and that if the land tax had ever been what some people suppose it was, likin would never have been imposed after the Taiping rebellion. For the Chinese people resist taxation, in no matter what form, far more successfully than any other people, and arm so rapidly when they are menaced by tax-collectors that native officials are extremely wary about imposing even the slightest increases. Any one who has had experience of the Chinaman knows full well that, although he will spend his money very freely, the idea of his having to contribute by law towards somebody else's benefit is highly distasteful to him; and this feeling is so universal that men will declare business at a standstill and abandon all trading until their point of view has been paid attention to. People would do well to ponder over this, for when it is a question of cutting off one's nose to spite one's face, the intelligent blue-gowned Chinaman has probably no equal.

Yet it must be confessed that, at the present moment, the very man who is apt to exclaim that the Chinese are the antithesis of progress, and that they can never be induced to take those steps which

in recent treaties they have solemnly promised to take, is as often as not the one most opposed to the abolition of likin according to the procedure so closely laid down in this Article VIII. That is to say, the European merchant, after many years of experience, rather doubts China's ability to give proper effect to contentious clauses, thinks that he will have to bear the full brunt of the change by paying a 12½ per cent duty on his imports in place of the present 5 per cent, and firmly believes that this change will not open up the country any quicker than would natural development unaided by diplomacy. In other words, the European merchant often fears that he will be the only sufferer, and that trade will inevitably be entirely killed.

Without wishing to enter into a controversy on this point, it is well to say that it is esteemed by the best authorities absolutely necessary, in view of the railway-building now going on in China, to abolish likin, even at the cost which has been detailed, in order that produce may travel by rail from any point in the Empire to any other point without being submitted to a single delay.[1] The machinery which the Imperial Maritime Customs may be counted on to devise will in time effectively check the levy of illegal native taxes; and if these various points be kept steadily in view, it must appear

[1] The enormous and growing goods traffic on the Tientsin-Shanhaikwan-Hsinmingtun railway is already being injured by new likin levies.

equally advisable to the student, the diplomatist, and the merchant, that the modernisation so ably drafted in the Mackay Treaty be hastened as much as possible.

The next Article in the treaty under discussion is the Mining Clause. In this clause China, recognising, in the language of diplomacy, "that it is advantageous for the country to develop its mineral reserves, and that it is desirable to attract foreign as well as Chinese capital to embark in mining enterprises," agrees within one year from the signing of the treaty to go into the whole question earnestly and seriously, and to enforce a modern mining law. As this was a matter which was a labour of love to such casuists as Chinese officials can be when they put forth their best efforts, it was no surprise when, within the time-limit set, a set of rules and regulations was actually drafted and promulgated. It would be foolish to cite any of these regulations; in simple language they are idiotic, and a distinct step in retreat from the former rules which provoked the inclusion of this clause in the treaty.[1] It is self-evident that China should be compelled to institute something like the claim system, with a single Ministry of Mines in Peking, which would have absolute authority over mining affairs, and would promote mining by inviting the investment of foreign capital, instead of frightening it away. As an example of the stupid manner in which mining is looked upon, no better example

[1] In this connection see the Appendices.

could be found than in the regulations promulgated just before the treaty under discussion was entered into. All the disabilities which attach to the present system of government in China are imposed on mining, and the unfortunate concessionaire, should he ever attempt to commence work under these rules, would be forced to make eternal compromises with the local population, the local authorities, and the Peking authorities. Such a system is, on the face of it, absurd.

In Article X. we come to another matter of some little importance. This is the question of the navigation of China's inland waters. In the year 1898 China's inland waters were opened under regulations which were so little understood by the then British Minister to Peking, that the result was that this valuable privilege did not advance internal trade to the extent it should have done. In Article X. the deficiencies in the old regulations are amended by the stipulation that Annex C., containing full details, shall immediately be put into force. It will be readily understood, from all that has been written, that the privilege of navigating the vast inland waters of China with European-owned steam-vessels is a most important one, and that it will become far more important when the duty-levying clauses of the Mackay Treaty are in operation. For, as has been amply explained, the European is only entrenched in his few dozen treaty ports, and three miles outside these raw China begins. Until now the coasting trade and

the navigation of the Yangtze have been the only means of tapping China Proper; but in the near future the opening of railways which will penetrate the country in every direction, and the formation of small European-Asiatic steamship lines, which will not be subject to the irregular taxes and impediments to legitimate trade under which existing concerns still labour, will entirely change the position. The new inland-water rules and regulations have already been put into force, but the great development, which it is well to call the "little steamer development," will not come until there is a general advance all along the line, brought about by giving effect to all the points already enumerated.

Finally—leaving out of consideration minor Articles—we come to the last clause which it is necessary to consider. It is a sufficiently remarkable clause, after all that has been said on the missionary question, for here we have, in a treaty already four years old, a frank statement that Great Britain agrees to join a commission to investigate this question in order "to devise means for securing permanent peace between converts and non-converts," should such a commission be formed by China and all the Treaty Powers interested. Of course nothing has been done in the matter, although the United States is the only other country which is largely interested in the propagation of Protestantism in China, and her co-operation could easily be secured. As every one must firmly believe that the Protestant Missions in China are honest in

their purpose, although many of their methods are open to question and a certain proportion of their members mistake cant and worn-out formulæ for true religion, this is obviously a matter which demands immediate attention. In a word, at a time when comity and federation are being seriously discussed by the various missions, and there is a very real prospect of sectarian difficulties being settled, so that the Protestant Missions in China, with their thousands of members and their big revenues (which now approximate a million and a half to two millions sterling per annum), may be closely linked to one another, it is only meet and proper that the great question of putting their relations with the Chinese body politic on a firm and lasting basis should be finally settled. There are now considerably over 3000 Protestant missionaries in China, and as this number grows steadily greater and greater, the educational importance of so many thousands of Anglo-Saxons will become more and more marked, and may one day exert profound influence. The great missionary bodies should therefore memorialise both their own governments and that of China, and, firm in the knowledge that once every point of friction is honestly and frankly dealt with they will enter on a new era of their existence, should demand, as their treaty right, the summoning of an official conference on the subject. No happier moment could be selected than the present time; for the year 1907 is the centenary of the landing of the first Protestant

missionary, Robert Morrison, in China, an event which is to be fitly celebrated.

The rapid survey which has been made of this largely unenforced Mackay Treaty shows that the question of the real opening of China is to be dealt with not by the enunciation of sensational shibboleths in the press, but by simple attention to diplomatico-financial arrangements already made in a sound and business-like way on paper, but apparently waiting the coming of the Millennium to be put into execution. If coinage, Chinese company law, likin and trade taxation, mining, and the missionary question are immediately dealt with, the opening of China will have been attended to as much as is possible for the time being. For be it well noted what will inevitably follow once the first point, coinage, is soundly dealt with. Supposing China opens her mints to the free coinage of silver in the form of the new treasury *tael*, adjusts the copper coins, and begins the scientific regulation of her finances with the help of a respectable sterling loan, confidence in her will grow so rapidly that she will be in a position to turn to the far larger question of floating a regular series of railway loans which can be placed on the market in half a dozen places in China and on all the principal stock-markets of the world, and will automatically cause half the foolish talk and half the disconcerting symptoms of to-day to cease. For once railway loans have been successfully marketed, and a system of publishing government balance-sheets, dealing with the work-

ing of the railways, inaugurated, a realisation of the stupendous reserves of undeveloped wealth which China possesses will be forced on every one all the world over, and China stock will become gilt edged. The putting into force of Article VIII. of the Mackay Treaty will bring about a great increase in the Imperial Maritime Customs revenue, and will allow the issuing of loans to replace the crushing 1900 indemnity system of payment. This indemnity of 450,000,000 Customs *taels* (at the Protocol rate of exchange of 3s. it amounts to £67,000,000 sterling) has to be paid off in thirty-nine years, and when the 4 per cent is added to the sinking fund charges, the total amount which China will have paid out by 1940 on this account alone will amount to Customs *taels* 982,238,150 (say £143,000,000 sterling).[1] That this is an unjust sum every financier and diplomatist must, in his cooler moments, be willing to admit. It is indeed the most stupendous penalty that has ever been exacted for a strange bout of midsummer madness. But a few further remarks on Chinese finances follow separately; the point which it is at present necessary to establish absolutely clearly is that the opening of China is no strange conjuring trick which the magic of a Cagliostro can rapidly bring about. It will have been accomplished, to as great an extent as is at present possible, when the Mackay Treaty of September 1902—an agreement which, as has already been said, is the logical successor of

[1] In this connection see the clear tabular statement in the Appendices.

all the other China-opening treaties concluded since the Nanking instrument of 1842—is put into force in its entirety. Those parliaments of the world which are interested in the peaceful solution of the Far Eastern question should ever bear this in mind.

CHAPTER V

THE HIDDEN MENACE

YET in spite of all that has been written regarding China and her progress, and of the stoutest optimism, a feeling of profound gloom overcomes one at frequent and regular intervals regarding this great never-ending Chinese question—the world-question of the twentieth century. The enormous masses of population—a population which, according to the most conservative estimates made after the most painstaking inquiries, is now said to approximate nearly four hundred and fifty millions—these enormous masses are alone sufficient to make the brain falter and to allow anything to be possible. For it must be remembered that China not only possesses a population half as great again as that of India, but that the Chinese, man for man, have two or three times the intelligence of the natives of India, and as a nation may be said to have far more brains than any other non-Caucasian people. No matter in what walk of life he may be, the Chinaman, man for man, can rate himself the equal of all other men; and this fact becomes more than extraordinary when it is

remembered that he has for at least forty centuries been fighting against a climate handicap — this last a thing which no one in Europe can entirely understand; for climate is the secret of nearly everything east of the Suez Canal; it is the wonderful secret which white men only understand when they have been almost assimilated. Climate is the explanation of all the history of Asia; and the peoples of the East can only be understood and accounted for by the measuring of the heat of the sun's rays. In China, with climate and weather charts in your hands, you may travel from the Red River on the Yünnan frontier to the great Sungari in lusty Manchuria, and be able to understand and account for everything. Climate is ultimately the first and last word in the East; it is the arbiter, the builder, and the disintegrator of everything.

Therefore, with a situation complicated in every possible way, with natural and unnatural limitations hindering progress, China will have the most immense difficulty in following in the footsteps of Japan and becoming a modern self-sufficient Power. At times, when the gloom settles down, it indeed seems hopeless. As in a glass darkly, visions of mad doings rise up—visions in which the entire populations of huge provinces, infected with the strange bursts of national hysteria which are so hard to explain, rise up to burn and kill. Such visions are now common to almost every European in China; men talk of them continually and seem constantly to believe that something of the sort is going

to happen in the near future. It is not well to dismiss such things simply with a laugh, and to remark on the latent panic of twentieth-century Europeans, who, mainly city bred, no longer possess the nerves of their ancestors. It is something else —it is, perhaps, one of those convictions which are the creation of one's sub-consciousness, and which are as often true as false.

All over China, then, while these reform-movements are curiously stirring officials and people, and the re-arming and reorganising of armies goes on, there is this curious conviction that China will be able to escape from the present complicated situation only by something startling occurring. It is not one class of Europeans who think thus, not merely one section of the twenty thousand aliens who with their predecessors have indirectly contributed so much to the disturbance of the old-time equipoise. The missionary, the merchant, the official, and the now alert military *attaché*, all think in the same way. Whilst the press of the world talks much, or has talked much of the guarantees of the new Anglo-Japanese Alliance, nobody in China ever thinks of this far-famed instrument. The situation is developing beyond alliances; it may become one which can only be saved by the grace of God. No one knows anything definite. No one can know anything be he ever so well informed, for the highest Chinese officials are themselves only pursuing a hand-to-mouth policy regarding certain great questions, and are waiting on one another, and allowing things

to develop as the strange Fates may will it. Even a Viceroy such as Yüan Shih-kai cannot give any definite opinion, and is secretly awaiting with much alarm and heart-achings the adjustment of a question which must come up during the decade of the Anglo-Japanese Alliance—the question of the succession to the throne of China. In this one vital matter no one has any idea what is going to happen —no one, not one single soul. The Emperor of China, a man weak in physical and mental development and deprived by nature of the power of giving an heir to the throne, is completely in the hands of the masterful Empress Dowager. At any moment this aged autocrat, who is showing greater and greater signs of physical decline, may collapse. But before she does so, if she has still strength to speak, she will nominate an heir to the throne. That the Emperor Kuang Hsü will contest such a nomination as soon as he is free from interference is certain, and civil war, although foolish to predict, is always possible.

But not only such purely internal questions may light the fires; there are a hundred other things which may occur. Unlike Europe's millions, China's millions do not yet know what an unsatisfactory solution to troubles war really is in these modern days. The nervousness which is so much the order of the day in Europe, and which is so curiously reflected in all the *rapprochements*, *ententes*, and alliances which nations are never tired of making, because everyone is becoming somewhat

afraïd of war, is quite unknown in China. Life is still so cheap and so little thought of, that China has millions of men to sacrifice if such a sacrifice would advance her interests. Once a Chinaman has made up his mind to die he becomes a singular stoic, as all who have witnessed executions and seen Boxers charge to certain death will readily testify. From the Chinese point of view war is, therefore, only to be avoided because of the chances of ill success, and because ill success is promptly followed by the imposition of crushing indemnities. Once the chances of success have been largely improved, and China's armed strength runs into hundreds of thousands of modern troops, anything may precipitate a conflict, unless enormous progress has been made in many directions where up to the present there has been very little progress at all. Speculation in this branch of the subject might be continued indefinitely. Yet it is well that every one should firmly realise that unless the coming decade prove the most remarkable in modern Chinese history in the matter of sound reform, it will certainly be the prelude to complications which will result in immense warfare.

PART III

THE POWERS AND THEIR INFLUENCE

CHAPTER I

ENGLAND, THE JAPANESE ALLIANCE, BRITISH FAR EASTERN INTERESTS, AND THE FUTURE

WE now come to a discussion which is necessarily of a delicate nature, and yet one which must be frankly undertaken if the new position in the Far East is to be clearly understood. It was not politic nor generous during a war being waged largely as one of the results of the withdrawal of the British fleet from the harbour of Port Arthur in the winter of 1898, under the direct orders of the late Lord Salisbury, to be too inquisitive about the future, or to dilate too strongly on anything but one aspect of Far Eastern affairs. The fact, however, that the terrible *faux pas* of 1898 has been expunged, so far as it is possible to expunge such a diplomatic mistake, by affording the most generous support to Japan during the war, and the fact that the so-called Portsmouth Peace was really made in London on the 12th of August 1905 by the signature of the new Anglo-Japanese Alliance, are alone sufficient to admit of criticism being now made without reproach. For it is essential, if the true interests of both England

and Japan are to be served, that misconceptions should no longer be cherished, and that it should be fully recognised that it is possible to do too much as well as too little in diplomacy. With these few words it is best to launch immediately into this difficult discussion.

In years to come the student of Far Eastern affairs will be much struck with the manner in which England turned from China to Japan as soon as the war of 1894-95 had demonstrated that an efficient and ambitious Power was rising and that the Isles of Nippon contained promises of many things. Japan, after she had been shown in an unmistakable way that England did not relish the idea of her emerging from the Chinese War as an embryo continental as well as an island power, was helped to her feet by the mere facts that England led the way in restoring to her the tariff and judicial autonomy of which she had so long dreamed, and that the crippling extra-territoriality actually disappeared in 1899. The Kimberley-Aoki Treaty of 1894 was therefore as powerful a weapon in creating the new Japan as any alliance could be; Japan was given the dignity and responsibility which enabled her to take the steps she has since taken. It was shown, then, by this action that China was considered in imminent danger of break-up, although indifferent British diplomacy was alone responsible for such a result; and that, further, something stable must be found by which to restore the threatened disturbance of the balance of power in the Far

East. In Japan nearly all the requirements necessary were found.

It required the year 1900, however, to show that the fostering of the growth of a new Power was hardly sufficient to arrest great movements in China which might lead to the most unexpected results. The fatal step made at Port Arthur was indeed being paid for, as every weakness must inevitably be paid for in the affairs of nations just as in those of individuals. The result was that the year 1902 had hardly opened before the announcement of the first Anglo-Japanese Alliance startled the world, and showed that it was still possible to call a halt in the Far Eastern break-up. The first Anglo-Japanese Alliance was an excellent instrument—sane, well-considered, and dignified. It restored the balance of power in the Far East, and allowed Englishmen whose fortunes had carried them to the coasts of Eastern Asia to breathe more freely. It sounded, indeed, a grim warning note, and made the policy so quickly developed by Admiral Alexeieff mere madness. Yet a consideration of those remarkable days of but two or three years ago makes one almost exclaim with the fatalist: "It had to be—it was so fated."

That England did not entirely welcome the idea that the Alliance should be a war-provoking instrument, although ostensibly a peaceful treaty, is clearly proved by a study of the attitude assumed in 1903, and by the unofficial warnings which were so often given to Japan as the plot thickened and

the war-clouds gathered. But war had to come; it was inevitable with an Admiral Alexeieff responsible only to the Czar for his actions, and having nothing but his own ambitions to gratify. Being a sailor, Admiral Alexeieff was determined that concessions should not be made to Japan in the matter of Korea, because he foresaw that, with Japan firmly entrenched in the Peninsular Empire, the Russian Far East would be split into two component parts—Manchuria and the Pacific province—by the out-jutting boot of land, and the possibility of dominating the eastern seas with a powerful Russian fleet thus made very faint. With both sides of the Straits of Korea in Japanese hands, Port Arthur and Vladivostock bore but little relation to one another.

By 1903, therefore, the outbreak of war was considered inevitable; either Japan would have to attack Russia, or her growing power would be nipped in the bud. But although Japan was far more ready than Russia for war in the month of February 1904, she would have preferred, as has already been shown, to have postponed the inevitable struggle until her national development was far more advanced. Probably Japan had hoped, when the first Anglo-Japanese Alliance was concluded, that nothing would occur until the end of the term of the treaty, say the year 1907, when her resources would have grown far superior to those of Russia in the Far East. Japan was undoubtedly ready on a small scale in 1904; but she wished to be ready on a larger scale, and, as it happened, she

had to create and expand night and day during the war so as not to be over-matched.

As far as English opinion is concerned, the fact cannot be doubted that the Japanese successes on land and on sea were looked upon as peculiarly surprising. The Russian "bogey" theory had been so assiduously cultivated for decades past that even in Manchuria, where she was lamentably weak and only a Colossus with feet of clay, Russia was looked upon as a giant who could easily crush such a pigmy nation as Japan. The reaction which took place when the bubble was being burst was therefore immense—since nothing succeeds like success—and the gallant Japanese, becoming the idols of the hour, escaped having their future plans too closely examined. That there was too much praise, and not enough probing beneath the surface, now seems clear. But it was the cult of the hour, and could therefore not be combated.

It has already been shown that whilst public opinion was still picturing Japan in the summer of 1905 as the same as Japan in the summer of 1904, that is, an all-conquering Power rapidly wearing down Russia in the Far East, a distinct and quite perceptible change was actually occurring in Central Manchuria. Russia was becoming at last so strong that every man Japan could muster was needed for the five main Japanese armies. The July expedition to Saghalien was only made possible by stripping Formosa of a great part of its garrison, and by detaching many men of the second reserves who were

really needed in Central Manchuria and Northern Korea; and a curious action fought a few dozen miles from the Tiumen river whilst the Portsmouth conference was actually going on—an action to which little reference has been made—is reported, owing to the weakness of the Japanese forces, to have resulted in considerably greater losses on the Japanese than on the Russian side.

It was at this stage, then, that the negotiations were commenced in London for the renewal of the Anglo-Japanese Alliance; and here it must be said at once that, although the advantages of making its terms so sweeping may then have appeared to be very great, it is already much to be doubted whether such haste and such a mixing of British and Japanese interests were not highly injudicious. In a former volume no hesitation was shown, in the course of a discussion regarding the renewal of the Anglo-Japanese Alliance, in writing as follows :—

"Any extension of the Anglo-Japanese Alliance will increase mutual responsibilities enormously, will create new risks, add to already existing enmities, and be fraught with many perils of the gravest kind. Instead of the flames of war lighting Manchuria's hills and plains as they do now, they may, soon after they have died down, leap sky-high once again along an immense land-frontier extending from Asia Minor to the Seas of Okhotsk, involving the whole world in the bloodiest conflict ever known. For the fighting spirit is still as strong to-day as it has ever been before, although it is slightly masked

by a veneer of civilisation, and one war passes the lust all over the world. The grand lesson of the war, that a railway can do almost anything it is called upon to do, must teach all sooner or later that sea-power is no longer what it once was, and that rail-power is sharply contesting the hitherto uncontested title which the waters have possessed for so many years."

This glance at the possibilities of the future may, a year ago, have seemed almost absurd; to-day indications go to prove that the quality of absurdity lies but on the surface. On both the Russian and the Japanese sides men have been speaking very clearly of late and emphasising many peculiar points in the present truce. Especially noteworthy are the opinions which Russian generals have been expressing. Although many of these men hardly merit the confidence of the world, still their utterances have a peculiar significance in view of the fact that what they think is what the Russian army thinks, and what must be an all-pervading sentiment in Russia itself when national unity is attained. Thus General Baschenow, a general who always believed that a Russian *debâcle* would have to come in Manchuria before there could be any possibility of a Russian victory, has recently stated as follows:—

"The second war between Japan and Russia cannot be postponed for more than six years, the islanders being unlikely to wait till 1915, when Russia will have gathered a new army. Japan will

utilise to the utmost Great Britain's obligations towards her to force Russia's hand, her aim being to destroy Muscovite influence in the basin of the Pacific and to strengthen the position she has acquired in Korea and Manchuria. The peace of Portsmouth is therefore nothing but an indefinite truce, at the close of which Russia will have to face two adversaries. She is bound to leave at least two-thirds of her army in the Far East in order to assure what footing remains to her there.

"There remains one clear duty for Russia to perform, namely, to fortify herself in the Far East against all contingencies, notwithstanding the protests of the Japanese. A strong fleet, with Vladivostock as its base, is an absolute necessity. Orders should be placed at once with shipbuilders all over the world, and premiums offered for delivery before contract date, in order that we may be in possession of a naval arm as soon as possible. A second line is indispensable on the trans-Siberian railway as far as Vladivostock, as well as on the Ussuri route, while Kamtschatka should be kept in telegraphic touch with the mainland. The second Japanese war is not far away behind the mountains; it is already upon our shoulders, and if we be not prepared this time, the enemy will drive us over the Baikals."

This is bold language, indeed, but that there is some justification for it every political student must now be prepared to admit. For let us glance once again at the new Anglo-Japanese Alliance, with a

view to seeing exactly what its opponents, and not its makers, are probably thinking.

The two most important offices it has already performed are that it has allowed Japan to make the present truce, and that it makes it impossible for Russia again to employ her whole strength against Japan until at least 1915. It also makes England open to attack if Japan is attacked, and introduces, therefore, for the sake of the peace of Eastern Asia, the entirely new and vital question of the Indian frontier. Because it is deemed necessary that Japan should be allowed to take all the military and strategic measures she desires, the entire vast territory stretching from beyond the head-waters of the Liao river in Manchuria to the mouth of the Tiumen river on the Korean frontier, is falling under Tokyo's sway; whilst, since Japan must also gather financial strength as quickly as possible, the markets of Korea and Southern Manchuria are to be monopolised, in deed if not under authority of parchment agreements, and the shipping and trade of the Far East made to suffer considerably in the same manner. An unnatural and forced Japanese advance in commerce and industry has become necessary, simply because of the late war and the new Alliance.

The benefits which accrue to England are these. Although the brunt of any blows which may come seem to be likely to fall on Japan, the Indian frontier must be prepared to take its share of these attacks, and Japanese troops may therefore be

called upon to defend one of the greatest countries forming part of the British dominions—a country which although it has 300,000,000 inhabitants, many of whom belong to warlike races, cannot defend itself. That at least is the inference. It is interesting in this connection to ponder over General Sir Ian Hamilton's soliloquy in his scrap-book when thinking of Asia and Europe. He says :—

"Why, there is material in the north of India and in Nepal sufficient and fit, under good leadership, to shake the artificial society of Europe to its foundations if once it dares to tamper with that militarism which now alone supplies it with any higher ideal than money and the luxury which that money can purchase. . . . It is heroism, self-sacrifice, and chivalry which redeem war and build up national character. What part do these heroic qualities find in the ignoble struggle between nations for commercial supremacy, with stock exchanges and wheat-pits for their battlefields?"

Bearing these words in mind, the benefit is thus made doubly clear. In India we need only be half prepared; the new Japanese Army Corps do away with the necessity of drawing on the inexhaustible fighting material in the north of India and in Nepal, and does not make it incumbent on us to find good and fit leaders. It allows the continuation of government by equipoise in India—a phrase which may apparently be used just as aptly in the case of the Indian Empire as in the case of China—and admits of no effort being made to take

count of Asia's new nationalism. That there is great danger in this may be perceived by some; but the future danger is compensated for by the present peace, and that is all that immediately concerns diplomatists.

Of any other thing which redounds to England's advantage in the present treaty it is hard to discover the existence. The preamble states that the consolidation and maintenance of general peace in the regions of Eastern Asia and India; the preservation of the common interests of all the Powers in China by insuring the independence and integrity of the Chinese Empire, and of the principle of equal opportunities for the commerce and industry of all nations in China; and the maintenance of the territorial rights of the high contracting parties in the regions of Eastern Asia and of India, and the defence of their special interests in the said regions, are the objects of the Alliance.

The eight Articles which follow simply amplify and qualify, and as Japan is the active partner and England the sleeping partner, the amplifications relate mainly to the former, whilst distance makes nearly all the qualifications apply to the latter. For the price of a possible ten years' peace many things will have to be paid—that is what is now clear—and at the end of ten years the present disconcerting tendencies may have assumed entirely new shape, and the whole folly of assisting to arrest a war when it was fast reaching its final stages may become more obvious.

That something of all this is now felt in many quarters is not to be doubted. People may well ask themselves whether the day has not arrived when there must be more courage and initiative shown, and less clinging to exploded shibboleths. It must seem strange, for instance, that, after holding India for a hundred years and more, so little real progress has been made that the same rules and maxims apply as strongly to-day as they did when long-buried statesmen and administrators ruled the land. All dwellers in Asia, since all Asia is much alike, must be asking themselves more and more frequently, How comes it that the rulers of three hundred millions of people are afraid of the menace which is said to lie in the fact that other rulers of Asiatic peoples are but a few hundred miles to the north of them, and are indeed only separated by a belt of terribly mountainous and arid country? They will perhaps remember that it was the late Lord Salisbury who believed that the savage Khanates of Central Asia would arrest Russian progress for an indefinite number of years; and seeing that this belief has been proved an utter fallacy, they may ask themselves whether the time has not arrived when it is necessary to deal with the whole question in a radically different way, and instead of cultivating the old theory, boldly to arrange an absolute settlement by linking up as quickly as possible the Russian Asiatic Empire, and by allowing an entirely new companionship to spring up. For it is the non-existence of strong interests and of

a proper understanding of a rival's strength which is one of the most powerful of war-provoking arguments. It is owing to the fact that for many long years there has been crass ignorance and a deliberate policy of turning away from a Russian settlement, that the present *impasse* has been reached. It was not so many years ago that the late Lord Salisbury, employing the popular language of the racing-stable, declared boldly that we had been backing the wrong horse, and by his frankness inspired many misgivings. That the Port Arthur affair of 1898 should have occurred is quite natural; the mistake was not so much in tacitly acquiescing in the Russian wish to reach "warm water," as in not coming to an absolute understanding before permitting it to be realised. Our acquiescence was construed into weakness, and thus while the old British irritation and indignation increased, Russian confidence augmented.

Much of this has now been changed, and the moment is fast arriving when either a complete Russian *entente* will have to be arranged, or permanent harm will be done to the British Empire. The one solution is that the two nations, which have stood sullenly apart in Asia for so many decades, shall join hands across neutral territories which are now falsely held to be effective buffer-states. A buffer-state is not a guarantee of peace; it is an invitation to make war. War can only be avoided by leaving no debatable lands in front of an invader; by transferring from the tables of diplomacy

to the hands of soldiers and merchants the duty of insuring the safety of a nation's flag. It will be abundantly proved, when British and Russians rub shoulders with one another in Asiatic railway stations, that distance and ignorance have been the two greatest factors in promoting a rivalry which has had such entangling results.

One of the first indirect important results of the Anglo-Japanese Alliance, from the British point of view, should therefore be a firm Russian understanding. The new risks must be met, the new responsibilities faced, the inner perils specially understood. For it should be clear from what has been written that the new nationalism in China—the unknown quantity x of the equation—contains, in its present curious condition, every possibility. Nationalism is a sentiment which should be cultivated assiduously by every people who do not wish to be mere pawns in the great international game. But it is well to remember that intense nationalism must and can only be the precursor of imperialism; and that when there is a real, living, powerful Chinese imperialism—although that day still seems far off—a new and mighty force will exist in Asia which may upset every present calculation. In this matter England, if she is wise, should not remain a mere interested spectator. In a development of such vital importance, she should lend her active co-operation whenever it is possible. Here it becomes necessary once more to reiterate what has been said about the rational opening and the rational strength-

ening of China. All questions such as the Chinese financial question, the Chinese tariff question, the Chinese railway question, and the Chinese mining question, are matters which would already have been practically settled, had the same energy been displayed by England in Chinese as in Japanese affairs. That it is tenfold or perhaps even twenty-fold as difficult to deal with China as it is to deal with Japan must be self-evident. Japan has already reached the point which China may reach during the next two decades if she is wise in her generation. Japan has had the fear of foreign aggression—a fear which engenders the worst passions in every nation—removed perhaps for ever; China is still in a curious transition stage, which, while it has many elements of strength and many menacing possibilities, contains none the less many of the old weaknesses. Thus Manchuria, which is particularly precious to the Imperial Throne, is firmly held by two rival military Powers busily engaged in entrenching against one another, and showing every inclination, in spite of all evacuation talk, to tighten their hold over their respective spheres. Again, the leased territories of 1898 are still all securely held, although Port Arthur has now changed masters. The difficulty of dealing with the foreigners at the treaty ports is just as great as it ever was—perhaps even greater; and the Anglo-Japanese Alliance, whilst it guarantees the integrity of the Chinese Empire, guarantees as well the continuance of these conditions.

It is clear, then, that the growth of the inner forces, enclosed in this outer state of affairs, must be promoted if a permanent settlement is one day to be reached in China. The enforcement of the whole of the Mackay Treaty is the very first step which must be taken to hasten that consummation. That the Mackay Treaty can be enforced is absolutely certain, but it can only be enforced with direct help, which must be both financial and diplomatic. Then it is patent to experts that the solution of the great Chinese currency question cannot be successfully undertaken without foreign gold loans, and that since this question is most intimately connected with the whole commercial, industrial, and financial position in China, it should at once receive the most careful attention. It may require many months of strenuous labours to effect anything tangible; but that success will finally come, if there is earnestness and unremitting work, is, however, equally certain. In the hastening of the completion of the new commercial treaties with China, England can also play an important part. Three Powers besides England have completed the new commercial treaties which were called for by the Peace Protocol of 1901—the United States, Japan, and Portugal. Two others, Germany and Italy, have commenced their negotiations. Thus of the Powers which have treaty relations with China, nearly half will have agreed by the end of the year 1906 to the new stipulations which do away with likin and nominally open up

the country. Pressure should be brought to bear ensuring that those Governments which have displayed a cunctative attitude in this vital matter can no longer do so. Even if two years more must elapse before the new commercial treaties are put into force, it will make 1908 a momentous year indeed should likin be then abolished and currency reform be in a fair way towards success. Such a result would benefit all alike; is it too much to ask?

No less important is the hastening of the building of railways in China. All hope of further concessions is now said to be dead, but what reason is there that a policy identical with that pursued in the matter of the Imperial railways of North China should not be resuscitated? In the case of these railways — the Peking, Tientsin, Shanhaikwan, Newchwang, Hsinmingtun lines—China raised a sum approximating 20,000,000 Mexican dollars by setting apart some government funds and issuing shares to Chinese subscribers. This sum of two millions sterling was quite inadequate to build nearly 600 miles of line; recourse was had to a sterling loan of £2,300,000 floated on the London market. This debenture stock bearing five per cent interest is impregnably secured. The proof of this is that such a great catastrophe as befell these northern railways in Boxer 1900—when a considerable portion of the track was ripped up—never affected bondholders' interests. Heavy sterling deposits, drawn from revenue account, guarantee the debenture

service; whilst the presence of European accountants at the railway headquarters makes falsification of returns impossible.

All this has been most simply accomplished, and the example set should be well studied. The northern railways are under the absolute control of Chinese Imperial directors; Chinese station-masters control the stations; and only the traffic and the upkeep of the permanent way and of the rolling-stock are in the hands of European employees. The system has worked admirably, as has been proved by the extraordinary growth in revenue. In 1903 the receipts are reported to have been silver $4,500,000; in 1904, about silver $13,000,000. These results are extraordinary, seeing that there are only 563.58 miles of main line open to traffic. Operating expenses, which are most carefully controlled, are under silver $3,000,000 per annum, and therefore, in 1904, 563.58 miles of Chinese railways earned a net profit of about ten million dollars, or one million sterling. This is a startling result, since it means a net profit per mile of about £1800. In ten years such results may be doubled or trebled, which, with the small capitalisation (in this particular case, four and a half millions sterling, of which nearly two and a half millions will ultimately be paid off), will allow enormous profits to be made by the Chinese Government. Already an extension from Peking to Kalgan, at the head of the mountainous passes of Mongolia, is being built with the surplus profits of this railway,

and once there are such feeder-lines going everywhere and likin is removed, phenomenal expansion must and will come. This model system is under the control, as far as the actual working is concerned, of a single Englishman, Mr. Claude W. Kinder, C.M.G., and his entire European staff, including office staffs, works out to about ten men for every hundred miles of road. After all that has been said about the great movement on the part of the Chinese to build their own railways, and the manner in which actual construction will be indefinitely delayed unless financial and technical help in modified forms is obtained, it is clear that participation is still possible if the methods adopted in the case of the Imperial railways of North China are scrupulously followed. In other words, Chinese shareholders should be given time for their enthusiasm to turn to the sound business common sense which is always theirs when their hysteria is not pandered to, and then European engineers and European bonds may play an important part. Many millions of money are needed for the immediate construction of at least five thousand miles of railways in China, and if these railways are built, and if the new commercial treaties come into force, China will be in a fair way towards emerging from her present dubious position, and thereby helping materially in the solution of the whole Far Eastern question.

For money makes money very rapidly indeed in this money-loving country, and improved methods of administration bring about most satisfactory

results. The neglected territory of Weihaiwei proves this. Under the control of a most able administrator, Mr. Stewart Lockhart, C.M.G., lately Colonial Secretary at Hong-Kong, things financial have improved in a singular fashion, whilst the House of Commons has been casually debating whether the place is really a naval base or a naval sanatorium. In 1901-2, the total revenue collected amounted to $20,000; by 1904-5 these figures had mounted steadily until they were upwards of $90,000—a splendid increase. The grants-in-aid from the Imperial funds have now decreased, until for the financial year 1905-6 the Chancellor of the Exchequer had only to hand over a cheque for £3000 in order to make up the deficit in the local budget. Thus, with the disbandment of the 1st Chinese Regiment, Weihaiwei will probably be financially independent in eighteen months' time, and if it is ever placed in railway communication with its hinterland, it will be able to spend handsome sums from its own resources on development work.

This little digression will have shown what immense reserves of wealth there must be in China, if a rocky strip of territory taxed in the lightest manner possible bids fair not only to be self-supporting, but capable of developing itself without extraneous help. That it is hard to tap these reserves of wealth owing to the curious and unsatisfactory internal condition of the country, is plainly evident, but here again it must be remarked

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THE LAST PARADE OF THE 1ST CHINESE REGIMENT AT WEIHAIWEI PREVIOUS TO DISBANDING.

that if private corporations understand their own interests they will fall in with and not oppose the new Chinese spirit.

Thus in the case of the great Peking Syndicate, a big venture which, in spite of the high quotations of its shares on the London market, is still in some doubt as to whether its main plans will be allowed peacefully to mature, serious attention is now being given to ensuring Chinese co-operation. A syndicate which possesses exclusive mining rights over a vast area, declared years ago by the German scientist and traveller Baron von Richthofen to be capable of supplying the entire world with coal and iron-ore for 2000 years, has an imperial as well as a private claim to attention. For the prizes to be won are enormous if success comes. The industrial development of China, which will come about when the new treaties are put into force, makes large supplies of coal in the Yangtze valley an absolute necessity. In periods of scarcity the price of coal rises in the commercial centres of China as high as forty shillings per ton; iron-ore is so rare and so costly to transport, owing to the non-existence of modern facilities, that the scrap-heaps of Europe are largely shipped out to China to be bought up. It is indeed a curious commentary on the position when it is stated that worn-out London horse-shoes come out 12,000 miles by sea, and then journey inland within a stone's-throw of the greatest iron-ore deposits in the world, there to be sold at high prices, because a working plan, without restrictions, has not yet been

found by which to drive a little way into the bowels of mother-earth.

It is clear, then, that syndicates of a very special nature are the only ones which will succeed in China, and that these are urgently needed. It may be bluntly said that unless the Chinese Central Government, as well as the Chinese provincial governments concerned, become actual shareholders pecuniarily interested in the success of very large ventures such as is the Peking Syndicate, they will oppose their plans and make rapid development impossible. This has already been so far recognised by the directorate of the company in question, that a direct Chinese Government interest is to be given in smelters to be erected in the Shansi province. But things are moving too slowly, far too slowly, whilst the plot thickens elsewhere, and it is patent that before coal and iron-ore are shipped to the Yangtze and immense industries created, a great deal more capital must be invested and a great deal more energy displayed.

The same remarks apply to nearly everything. Whereas Japan, a debtor country, does not hesitate to spend many millions sterling both in public and private enterprise in Korea, Southern Manchuria, and even in China, English capital is still timorous and even openly afraid of China. There is much talk now of the investment of money in industrial enterprise in Japan, and but little talk of such investment in China. Yet even admitting, for the sake of argument, that China is a rude land of

massacring Boxers, and Japan a settled country of polite allies, it may be very much doubted whether ten thousand pounds invested in the former country would not prosper a good deal more than twenty thousand pounds in the latter; for any foreign factory in Japan which competed with Japanese factories would have a hard time; Japanese patriotism is such that internal trade rivalry means immediate enmity, whilst the unsatisfactory conditions under which alone foreigners can hold land in Japan adds yet another element of instability. A special industry, such as a celluloid factory—one is being put up at the present moment by British capitalists in Japan—may be exploited because there is no competition: when there are rivals, however, the *bushido* of the commercial code makes trade warfare instant, and workmen can no longer be relied upon.

It is, then, rather in China than in Japan that European industries will flourish during the coming decade. Chinese workmen may feel the new nationalism, but they will never desert the old dollars. The enforcement of the new commercial treaties will begin the raising of a modest tariff wall in China, and the indirect effect of this will be to promote local enterprises—enterprises which will largely be international because of the mixing of European and Chinese capital. Already there are indications that the character of the China trade will change, and that its currents will be diverted to new channels. It even appears clear that the

cotton mills of such centres as Shanghai will have to rival the cotton mills of Bombay, and that whoever is most active in pushing manufacturing will receive the lion's share in other things.

Above all things, now is the time for entrenching in China, for fusing conflicting interests, for winning over the intelligent portion of the Chinese people. Whichever Power is most successful at this work will be in years to come the dominant Power of the Far East in times of peace—dominant because of Chinese support. The time of sharp competition, forecasted in a former volume, has already come. England for the time is safe. She has still half the trade of China, half the shipping which throngs Chinese waters, and more than half the financing work of the country. But there can be no rest, no pause in the outward march of a great Empire; it must advance or die—history has made that plain. New complications and new features have been introduced into the whole situation during the past twelvemonth; they must be well understood and well met. There is an immense amount to be accomplished during nine short years; on the amount actually accomplished hinges the peace of the East. This fact should be absolutely understood.

CHAPTER II

THE UNITED STATES AND THE NEW RESPONSIBILITY

THAT the United States have acquired a new responsibility in the Far East since the making of peace, no one who has devoted time and study to the question can deny. The mere act of intervention—or to put it more accurately—the mere fact that the Chief Executive of the United States boldly took it upon himself, when the recent war was still young, to attempt to bring about a reconciliation, is sufficiently significant to prove this. This first attempt was made in August 1904, *i.e.* six months after the beginning of the war. Morally, therefore, the United States now possess a heavy new responsibility, and it is possibly a tacit and a half-unconscious recognition of this fact which, if American public opinion be a fair criterion, makes a certain nervousness regarding Oriental problems the order of the day. Perhaps men are also beginning to understand that there was more in the appeal to the late belligerents to sink their common differences and to cease their hideous warfare than at first met the eye. For it is well to remember that the mastery of the Pacific has not yet been decided, and that the rise of Japan,

the reform movement in China, and the inevitable consolidation of the Russian Far East which is now coming, are already creating new possibilities in the Northern Pacific, and may introduce entirely new factors even in the Southern Pacific. Of course, it is well to state at once that these possibilities belong rather to the somewhat distant than to the immediate future, since, above all things, time is necessary to bring about the immense development which must inevitably come in East Asia and in the principal Asiatic isles. Yet although time is necessary, ten years will alone accomplish much; and if there is not the most careful attention during those ten years, dangers may have arisen which will be infinitely hard to deal with, and may even be insurmountable.

American relations with the Far East have always been somewhat singular, and appear to have been the results of many curious things. Of course, these relations have been utilitarian in the main, just as have been the relations of every other great Power; but with this utilitarianism there has always been a certain altruism which has too often been misguided. The secret and explanation of this last fact are not far to seek: they are to be found in American history, in the responsive and enthusiastic American character and in the lack of Oriental traditions.

American relations with the coasts of East Asia were begun almost immediately after the conclusion of the Revolutionary War. In a former volume

something has been said on this point, and here it is only necessary to state that for fifty years the new United States had continuous and profitable commercial relations with China. These relations were placed on a proper basis by the signature of the first American treaty with China, the Cushing Treaty, in the forties of the nineteenth century, and with the Perry opening of Japan the United States enjoyed a very special position in the waters of East Asia as far back as half a century ago.

It was curious, then, that at a moment when California and the Pacific States were being settled and opened up, American interests in the Far East had declined to such an astonishing extent as to be almost extinguished. The Civil War, the replacing of sailing vessels with steamers, the opening of the Suez Canal and a number of other factors, caused the American flag almost to vanish from the Pacific; and it was not until the completion of the American trans-continental railways (largely built, be it remarked, with that now-detested Chinese labour) that the approach of the third period, the expansionist period, was fitly heralded.

That period may be said to have begun in the eighties, although it was not until the nineties, perhaps, that it was clearly marked. The first Chinese Exclusion Treaty showed, however, that East Asia was beginning to assume special importance and a special character in the eyes of the Pacific States; the acquisition of Hawaii and the increasing activity

of American steamship companies added fresh proofs; and, finally, the now famous battle of Manila Bay showed that the new expansionist movement was in full swing. During the six years of the twentieth century which have passed by, the position of the United States in the Far East has been vastly improved, and American interests have now grown to such an extent that they merit the closest attention and the most careful fostering. And here it is necessary to leave, for a moment, the consideration of the general point of view, and to turn to an inner aspect in which American altruism has been curiously illustrated and yet, equally curiously, has led to no very tangible results.

In the three countries, China, Japan, and Korea, much the same thing may be said to have occurred. In the case of China, although the great principle of extra-territoriality is the leading *motif* in American treaties, it has been shown in a former volume how the United States gave China to understand at an early date that she did not wish to participate in privileges which were of no value to her (*i.e.* the opium traffic). On every occasion when such a course was possible, a policy of standing apart was therefore adopted, or, to state it differently, a policy of non-participation. It needed, indeed, the sound of cannon to make a gallant American exclaim, when he saw the distress of men of British nationality, that blood was thicker than water; and it must be a source of peculiar satisfaction to historians of the East that the debt then incurred was fully repaid by

the action of a British captain in Far Eastern waters half a century later.

All through the nineteenth century, then, the United States was pleased to assume towards China a benevolent attitude which sometimes quickened into active commiseration without being responsible for any help towards the solution of the Chinese question. When, however, Chinese labourers were in danger of bringing about an industrial crisis in the Pacific States, altruism was replaced by sound American common sense. In state affairs it must always be so; altruism is only possible where vital interests are unaffected. Here it may be convenient to remark (since in a discourse made in a former volume concerning the peculiar attitude of the American Government towards China, many American critics have apprehended prejudice) that the concrete results of specific or general actions can be the only things which should really claim the attention of an observer on the spot, and that it is quite possible even for picked men living many thousands of miles away to put the wrong end of the telescope to their eyes. Thus, although the diplomatic action of the late Secretary of State, Mr. Hay, regarding the Chinese problem and the general Far Eastern question, may have seemed of immense value—and, be it remarked, was actually of some value—in the East the threat of war is the one real convincing argument; and unless the possibility of war lies behind diplomatic notes, the resultant good is but one-tenth of what it is in

Europe and America when sternly worded despatches reach recalcitrant Foreign Offices. Thus in China of to-day, England, Russia, Japan, and even France have far greater weight than the United States; it is because they have all made war against China, and it is the memory of these wars which is the ghost behind every diplomatic note. The news which was such a marked feature in the spring of the present year (1906), that the United States were ready to despatch 40,000 troops to China in the event of internal risings taking place, has largely corrected this, and thus it is clear that the curious altruism of yesterday is being rapidly replaced by the one sound quality of diplomacy—common sense.

Towards Japan there has been displayed in the past the same altruism, although it has been an altruism of a somewhat different nature. The United States opened Japan to the world by the despatch of Commodore Perry's expedition, and this fact has been so much applauded and dwelt on, that it has escaped the attention of American observers that after the opening there was but little activity. And in spite of a considerate attitude for Japan, and an actual treaty which expressed willingness to remove the restrictions of extra-territoriality if others would do so, it was another nation which was the first to act in this matter. It was also the same other nation which arrested the Russian advance by an adroit alliance; even supposing that there had been a Russian invasion of the whole of China, and that Japan had been reduced to the position of a vassal

state, would the United States have turned words into actions three or four years ago?

And in the first Article of the first treaty the United States ever made with Korea there is some language which has peculiar significance at the present moment, and which shows that in the history of a nation's foreign relations altruism is readily replaced by something less worthy. The article in question reads as follows:—

> There shall be perpetual peace and friendship between the President of the United States and the King of Chosen and the citizens and subjects of their respective Governments. If other Powers deal unjustly or oppressively with either Government the other will exert their good offices, on being informed of the case, to bring about an amicable arrangement, thus showing their friendly feeling.

The Emperor of Korea, with this Article in his mind, made a direct appeal to the President of the United States to exert his good offices in the vital matter of the treaty of the 17th of November 1905. The President referred to the American Minister at Seoul; the American Minister proceeded to the Korean Foreign Office, and was informed by the American diplomatic adviser who had been installed at the instance of the Japanese Government, that everything was in order; and therefore nothing was done. Such things throw an immediate light on the actual results obtained by a specific policy; and these results have, unfortunately, been carefully noted all over the Far East. For the time

being, then, matters have apparently been settled in a definite fashion; it is too soon to say what occurrence or series of occurrences will set the whole group of entangled factors once more in motion. But American public opinion should be careful to note that there is a new moral responsibility imposed on the United States by recent events; that the retention of the Philippines has become absolutely necessary for a very large number of years, perhaps for ever; and that commercial interests demand an attitude of the most critical kind. If the United States is to be the dominant factor in the mastery of the Pacific; if the Pacific States of the Union are to grow and become as rich and as powerful as the eastern States, it is essential that all the markets of the coast of East Asia remain open. The United States have all the advantages, qualifications, and ambitions necessary for the new rôle which they must play, and a fast-increasing population and unrivalled resources provide all the material for future greatness. Already the character of the Far Eastern trade is changing, and American products are battling for a premier place. The cutting of the Panama Canal, the development of the Philippines, the provision of powerful new naval bases in the Pacific, will all emphasise the peculiar nature of the struggle which must come. A powerful America in the Pacific and a powerful new China may really be the only two factors which are necessary to begin the final solution of the yet unsolved Far Eastern problem. Slowly these points are being forced home on

Americans. An admirable new class of American officials is coming to the East; there is now intelligence, alertness, honesty, and good faith. It is the earnest desire of all Englishmen in the East that America may prepare herself night and day, so that the question of the mastery of the Pacific need never again be raised.

CHAPTER III

RUSSIA, THE UNBEATEN POWER

THE Japanese victories on sea, the Japanese capture of the great stronghold of Port Arthur, the successful Japanese campaign in the Fêngtien or southernmost province of Manchuria, left Russia still an unbeaten Power—a Power which had actually in the field, at the time peace was concluded, 12,500 officers, 917,000 men, 270,000 horses, and 1600 guns—a Power which was unconvinced. Such a mighty force of men as was finally collected together at the front by the Russian Government exceeded by a few thousands the massed Japanese armies, and was as great as any that has ever been gathered on an actual battlefield. The vast majority of these Russian soldiers were entrenched far south of the Sungari river and offered, as has been shown, a problem so uninviting that the picked leaders of Japan decided that peace was preferable to attempting any warlike solution.

The internal condition of Russia and the irresolute character of the Czar were responsible for denying to this vast army the chance of retrieving its besmirched reputation and of permitting Russia's immense latent strength to assert itself. A largely

fictitious peace was hurried on; and it now becomes necessary to deal as rapidly as possible with the actual Russian position in East Asia—a position, be it remarked, which is not as clearly understood as it should be.

It is best to begin by noticing the actual extent of the Russian loss. Russia has, first, lost her insignificant maritime province at the extremity of the Liaotung Peninsula, the famous Port Arthur leased territory which never did her any good; secondly, she has lost a strip of the Central Manchurian railway measuring 660 versts, say 450 miles, in length; and, lastly, she has lost the possibility of dominating one province of Manchuria, viz. Fêngtien, because the battle of Moukden drove her armies back on the line of the native towns which lie on the boundary of the second province of Kirin. She has also lost the possibility of being able directly to menace Korea from across the Yalu.

Against these net and absolute losses in territory and prestige, however, must at once be set the following facts, which are well worthy of note and remembrance. Russia still possesses 1713 versts of the original mileage of Manchurian railways, against Japan's 660 versts. She still is the controlling power, despite all talk to the contrary, in the two northern provinces of Manchuria, viz. Kirin and Heilungchiang. Now, Kirin has an area of 110,000 square miles, and Heilungchiang 190,000 square miles, or, say, a gross total of 300;000 square miles. Against this Japan has a questionable controlling interest

(questionable, because she must be honest) in Fêngtien province, which measures only 60,000 square miles in extent. Therefore, of the original railway system in Manchuria Russia still possesses, say, four-fifths, and of the gross area of Manchuria she has a controlling interest over, say, six-sevenths. It is true that much of the provinces of Kirin and Heilungchiang is mere waste land, whereas nearly the whole of Fêngtien province is cultivated; but against this must be set the fact that Chinese immigration is rapidly filling up the whole of the stupendous Sungari river and Nonni river plains in Central Manchuria, and that within ten years, or at most twenty years, these inexhaustible regions will be producing the most extraordinary amounts of grain and other food-stuffs, and be five to ten times as rich as Southern Manchuria. It cannot be too much emphasised that the richest granaries of Asia are on the Sungari plains; and granaries are all that Russia needs.

There is yet one other point of vast importance which must immediately be mentioned before leaving this vital question. It is that Russia, by her enforced evacuation of the Liaotung Peninsula and Lower Manchuria, has been enormously strengthened, and that all possibility has once and for ever been removed of her being again surprised as she was at the beginning of the year 1904. She is now practically impregnable in Central Manchuria, for, without any dangerous coast-line to protect, all her efforts in the event of war can immediately be

concentrated on taking up the positions held by Linievitch's grand armies at the time of the making of peace. And not only does the absence of that vulnerable Liaotung coast-line mean an access of strength to Russia, but it spells a new danger for Japan. For supposing that hostilities were re-opened between Japan and Russia at any time during the next two decades—a state of affairs which is quite possible to occur—Russia would be almost immediately in a position to make enormous flank attacks which would sweep across the eastern boundaries of Mongolia down to the lower reaches of the Liao river, and carry death and destruction in their train. It may be argued that such expeditions, even if carried out on a scale reviving the traditions of Genghiz Khan and his invincible Tartar hordes, are to-day ridiculous, and would end in miserable failure. But such a view leaves entirely out of consideration the immensely important fact that this Manchurian war has been to Russia what the South African war was to England, and that radical changes will inevitably take place, not only in the whole Russian point of view regarding the Far East, but in the training and preparation of Russia's armed forces for the great days which must come. It is a curious fact worth emphasising, that the Russian army in Manchuria, at the time of the making of peace, was already an entirely changed quantity in *morale*, equipment, striking power and experience, from what it had been for eighteen months; and that so high was the spirit of that

army beginning to run, that had Russia possessed any truly great man in the place of representatives such as Monsieur de Witte, a very dangerous state of affairs for the signatories to the Anglo-Japanese Alliance might have been immediately produced. The manner, however, in which the English-spoken (that is, Anglo-Saxon) opinion really dominates the world, and the intense opposition of this opinion during past years to all things Russian, sufficed a year ago to obscure the new state of affairs in Manchuria, and to permit a peace to be hurried on by adroit manœuvring, when a little more Russian decision and doggedness might have reversed the course of history. The most influential journal in England, in discussing the likelihood of a change of fortune occurring on the Manchurian battlefields—a question actually raised in a former volume—dismissed the matter in a very few words. It stated that speculation on this branch of the subject was only theorising in the air. Yet this question in its new aspect is bound to have a profound influence sooner or later on the whole course of events in the Far East. For the time being it may seem that Russia, lost in the vast expanses of partially settled territories of which she is the careless mistress, has nothing further to say regarding the destinies of East Asia, because she can no longer reach the China Seas. Time will show that such a view is not far-seeing, and that the Fates, ever more cruel when there is wilful neglect, will demand a heavy price for this short oblivion.

For, as has already been said, it is quite vain to suppose that the war has accomplished anything more than the destruction of Russian naval power in the Far East for a period of fifteen years, and the establishment of Japan, at a cost out of all proportion with the result attained, as a military Power, but not as the *de facto* ruler, as too many suppose, of Korea and Southern Manchuria. Nothing else has been done. That is to say, were it not for the Alliance with Great Britain, which expires in nine short years, Russia would be in a far better position than she has ever been before to wage war in the Far East. She has not been convinced that there was a proper trial of strength. Japan, so far from having driven her out of Manchuria at the bayonet-point, which was her advertised purpose, has left her in secure occupation of considerably more than three-quarters of the country. Japan, so far from breaking Russian power on the Pacific, has by her action caused Vladivostock to be made the most powerful fortress in the world, a fortress which, thanks to its advantageous geographical situation and the manner in which the famous Russian ally, ice, shields it during five months of the year, is probably really impregnable. And furthermore, Japan, by the manner in which she was forced to show how she may have to act in the future, let us say in nine or ten years' time, has tended to intensify Russian action in the Far East; that is, has made Russia alive to the

fresh dangers which may menace her, and has therefore induced her to prepare for some great day about which no one has many suspicions at the present moment.

Thus, as first steps, certain things are already being planned. The Siberian railway is to have its track doubled. The Tashkent railway is to be united with the Siberian railway at Tomsk, bringing the rich districts of Turkestan into immediate touch with the immense possibilities contained in those vast territories of inner and outer Mongolia —territories which front the Siberian half of the Russian Empire, and flank all-important Manchuria. Then Blagoveschensk and the strategically valuable Amur river are to be connected with the trans-Manchurian railway — the prolongation of the Siberian grand trunk-line—by means of a branch railway which will run direct from Tsitsihar, the capital of Heilungchiang province. Further, Russia is at the present moment demanding the right to build two other highly important branch lines. The first one is the Verhe-Oudinsk-Kiakhta-Urga line, which will accomplish the double purpose of placing the old Mongolian caravan route in direct railway communication with the trans-Siberian railway and inner Mongolia, and of allowing the possibility of an extension being pushed on to Kalgan, the trading town just outside the great wall of China and only sixty miles from Peking, which at the present moment is being connected by the Chinese with the Peking-

Tientsin-Shanhaikwan-Newchwang line. This in its turn will permit of an extension being made —in the event of another war against Japan— straight to the head-waters of the Liao river and to the flank of the zone where the Japanese military power has been established. The second branch line is the one which will run from Kuan-Ch'êng-tzu (Changchun) to Kirin city, to take the place of the present light military railway. It matters not whether some of these lines are so-called Chinese lines; Russia's proximity will be able to convert them into strategic railways whenever she wishes to draw the sword.

The effects of these steps in railway-building will be to knit up the whole Russian Asiatic Empire, a small portion of which has been crumbled away by the late war; and once the undoubted benefits of such knitting-up are fully realised by the Czar's government, it may be taken as morally certain that other lines will be planned and built, with or without the consent of China, until from Vladivostock to the Persian frontier a network of railways exists which will have a surprising world-influence. In a word, Russia having been clearly shown that her destiny does not for a moment lie on such an unstable element as water, is entrenching herself so that she may ultimately be irresistible on land. The enormous rôle which railways are destined to play in that portion of the Far East which may still be called in solution, is not yet realised by people at large

nor even by experts in particular. In Europe and other portions of the world where "fixed conditions" prevail, the function of the railway is strictly limited, and remains so even in the event of war. For in settled countries the railways, having existed for many decades, have become as much a necessity of life as clothing or food. To remove railway transport from beyond the reach of a European nation — that is to say, to convert a railway system into a simple engine of war which is completely divorced from the ordinary requirements of everyday life—would be to invite sterilisation. Such a thing would be impossible. Yet this is what can be done in Siberia, in Manchuria, and in the whole of that portion of the Asiatic continent which is liable to be submitted to Russian influence at any moment during the next twenty or thirty years. These strategic railways, whose mileage must and will grow from year to year, can be absolutely and completely isolated from the life of the country through which they pass, and be made simple war-channels along which can travel in one unending procession men and materials. The country through which they run not only does not suffer from being forced back on to the old caravan-routes and forbidden the use of the railway, but may actually benefit, at least for a time, by such a procedure. For the entire produce of such areas is needed for the sustenance of the vast armies which are moved forward by rail, and the cultivation of the soil and the breeding of cattle are

enormously stimulated by the immense demand which arises for all kinds of food-stuffs. This is what actually happened in Central and Northern Manchuria during the late war. The Russian demand for wheat and cattle was so enormous that virgin soil, amounting to many hundreds of thousand of acres, was broken by Chinese cultivators, and at the time of the conclusion of peace cattle and other live stock were being bred in endless numbers, on the assumption that the war might go on for years. Buriats and other Mongols were daily driving into Harbin and other Russian Commissariat leases, herds and flocks that had travelled hundreds if not thousands of miles, and Chinese barges were carrying wheat down every stream which reached Russian lines. In this respect alone it was an epoch-making war.

With the soil, the neutral inhabitants, the very dumb animals, silent conspirators aiding and abetting this new development, the vast rôle railways are destined to play in Asiatic countries becomes increasingly clear. Russia, owing to her magnificent geographical situation, benefits more than any other Power, or possible combination of Powers, from this state of affairs; and the natural result can only be, that immediately her home affairs have been satisfactorily settled, she will begin to concern herself with the further improvement and extension of her entire Asiatic railway system, and the promotion of great waves of emigration from European Russia into those vast regions which still have so

few inhabitants to the square mile. In a word, Russian action, so far from being turned solely to home affairs, is likely to become intensified in the very near future in purely "Colonial" affairs. The fact that Linievitch's armies of three-quarters of a million men, massed south of the Sungari river, were actually in a position, on the day peace was declared, fairly to hold the Japanese advance, and had begun to realise that such was the case, is alone sufficient to account for an outburst of Russian activity in the not distant future. The feeling which undoubtedly began to pervade the Russian army of Manchuria in the autumn of 1905 has never been properly realised, and too much importance cannot be attached to this obscure point. People still pictured the Russian hosts as inchoate masses of soldiery who had been so often and so severely beaten by the Japanese that it rested with Field-Marshal Oyama as to how long they should remain at all in Manchuria. The truth is, that although the Japanese fought with the utmost gallantry, they could not perform superhuman feats, and in spite of all their perfect organisation and sedulous preparation the drain was at last beginning to tell on them.

It was perhaps because of the immense shock of surprise, and the unbelief that everything was over, that for a good many weeks there was a marked hesitation on the part of the Russian Government to demobilise the great masses of soldiery which filled Central Manchuria. It was

thus not until some time after the Japanese demobilisation had been actively going on that the repatriation of the Manchurian army was commenced; and the Council of State, sitting in St. Petersburg, then decided to act as follows:—a force of 500,000 men was to be conveyed home as rapidly as possible by rail so as to make a severe test of the Siberian line; 140,000 men were to go by sea; 60,000 were to remain as colonists in the Primorsk and in Trans-Baikalia; 100,000 were to be distributed as guards along the railway line; 150,000 were to remain as the Manchurian Army Depot in centres to be carefully selected; and 60,000 Siberian troops were to march home.

This programme was practically completed by June of the present year (1906), and Manchuria has thus been nominally evacuated by Russia. But it is important to note that of the million men who were in Manchuria when peace was concluded, only 700,000 men have gone to their homes, whilst 310,000 remain either in close proximity to or actually within the frontiers of the country. The number of railway guards allowed by the Portsmouth Treaty is 15 men per kilometre; and this gives Russia the open right to station nearly 30,000 men permanently in Manchuria. It is almost certain that the present force is in excess of this, and it may remain so until the spring of 1907 without violation of written undertakings. The distribution of the remaining 200,000 men, with the exception of the 60,000 who remain in the

Far East as colonists, is not yet clear, but the probabilities point to the fact that at least 100,000 have been distributed in the Pacific province, a large force in the Amur province, and a still larger force in the camps of the Baikal territories. Thus Russia will possess permanently in the Far East twice as many armed men as she ever had before the war, and if her colonising plans are given effect to quickly, that strength may be quadrupled in less than ten years. A draft of a new law has already been drawn up by the Ministries of the Interior and Agriculture which tends to make colonising far more attractive than has hitherto been the case. Soldiers of a certain length of service are entitled to pre-empt within two years farms of 135 acres, and to receive a cash bonus of one hundred roubles, with the additional privileges of paying no taxes for five years and of being given loans as soon as they have begun to develop their land. In the case of officers, estates up to 14,000 acres in extent may be taken up, and as soon as the land has been broken, loans according to the acreage under cultivation will be made, whilst exemption from all taxation for a period of years adds another incentive. At the moment it is impossible to state whether these inducements have been carried beyond the paper stage, but from the number of men already coming into the Pacific province it seems clear that immigration to the Far East is already being actively promoted.

The indirect effect of the settling of the immense

territories Russia possesses in the Far East will be great; it will serve to intensify the development which is slowly but surely coming in East Asia, as lands which have been asleep for centuries are galvanised into activity. New forces will have to be reckoned with, and if a new Russia is created to the east of Lake Baikal its influence and its prowess will be quite different to the Alexeieff creation of 1903. In Vladivostock and Harbin there are the germs of a St. Petersburg and a Moscow. Already Moscow manufacturers are planning the creation of great mills at Harbin, and already Russian and other shipping interests are making good the loss of Port Arthur and Dalny as Russian ports by seeking to turn Vladivostock into a great terminus, which will receive for transport inland, and hand over for transport abroad, great quantities of cargo. Japan in Southern Manchuria is to be entirely ignored—that is the present plan. The Russian and Japanese sections of the Central Manchuria railway, although they will be ultimately connected at Kuan-Ch'êng-tzu (Changchun), will in reality be isolated because of the prohibitive freight rates which the Russian railway directorate will impose on all cargo seeking to pass this zone-frontier. As long as the Fêngtien province railways remain in Japanese hands this policy will be continued.

In such circumstances it has not been deemed necessary by the Russian Government to complete any fresh agreements with the Chinese Government regarding Manchuria, as Japan was in such hot haste

to do. Negotiations have been fitfully proceeding between the Russian plenipotentiary in Peking and a vice-president of the Wai-Wu-Pu, but these negotiations have only served to show that the powerlessness to make any fresh movement against Russia is generally realised, and that Russia considers that the arrangements which were entered into by the Chinese Government prior to 1900 still hold good, wherever the war has not affected them.

The position is, then, exceedingly curious and should be fully realised. For the time being, Russia has accepted certain undeniable facts; but that the general situation can continue indefinitely as it stands at present, she does not for a moment believe. She has abated none of her ambitions—no one need doubt this—for a great Empire must either advance or perish. She is of opinion that Japan has gone far beyond the stipulations of the Portsmouth Treaty in attempting to make Korea virtually a Japanese province. She sees that Japan, by systematising her railway programme both at home and on the edge of the Asiatic continent, is taking a leaf out of her own book, and is looking far ahead. Russia admits that the diplomatic conquest of Peking will have to be begun all over again, and that this has become more difficult than it ever was before. But she does not despair. The Russian Empire embraces all the northern boundaries of the Chinese Empire; the Russians allow the Chinese to profit in a pecuniary way where the Japanese have no

use for any but their own people. A great silent struggle, therefore, must and will commence round this New China, which is the one factor which may easily become the undoing of either one or the other of the great Manchurian rivals. Once more, then, it is China, as it has always been China, which is the vital question; and, thanks to this factor, the Russian retreat may ultimately become a Russian advance. For Russia has always looked upon China as a natural friend; and events may prove sooner than is expected that the reciprocation of this sentiment is considered a political necessity in Peking, and that the diplomacy of the Cassini days was abortive simply because it came too soon.

CHAPTER IV

GERMANY AND THE APPARENT *VOLTE-FACE*

We now come to the consideration of the position of Germany in the Far East, a consideration which has the highest interest because of the very peculiar circumstances which have surrounded the Kaiser's oriental policy.

It may be said at once that the shallowest student of political geography must appreciate one cardinal fact in Germany's foreign policy: viz. that it is essentially an opportunist one which, at favourable moments, becomes immediately expansionist, and at an unfavourable moment would convince every one by its moderation and apparent frankness that it has never cherished *arrière pensées*. In all this there is nothing very strange; indeed it is clear that, however irritating and disconcerting the reflex action of such a policy must be, it is the only one which is possible for a healthy nation, led by an ambitious sovereign, to pursue. For, as has recently been pointed out, Germany, owing to her geographical and economic position, must attempt to be the most formidable of nations on pain of again becoming the most vulnerable. It might have been added by

the writer who penned those words, had the Far East loomed up for a moment before his eyes, that Germany, supposing that China was really in decay and believing such books as *The Break-up of China* and the *Story of a Disappearing Empire*, was determined to become not only the most formidable of nations, but a colonial power of the greatest importance as well. This same writer concluded a remarkable article with the following sentence, which has a peculiar significance for the Far East: —"That Germany is an imprisoned empire is, in our judgment, the greatest political problem of the time, and may lead the twentieth century to tragic destinies." With these few introductory remarks it becomes necessary to make a rapid study of the latest German moves in Eastern Asia.

In a former volume great pains were taken to outline clearly, if somewhat harshly, the remarkable history of German activity in China during seven short years, 1897 to 1904. After the murder of the German missionaries in the province of Shantung in November 1897, Prince Henry of Prussia's squadron started for the Far East, being bidden God-speed by the Kaiser in person with the following words: —"The expedition which you undertake is the logical consequence of what our sainted grandfather and his great chancellor had politically organised, and what our magnificent father fought for on the field of battle. It is simply the first realisation of the transoceanic ambition of the newly united German Empire. It is my duty to follow the

German Hanse, and to offer it the protection which it has the right to demand of the Empire and its ruler. We must also protect the German brothers whose ecclesiastical duties take them into distant lands. Our mission is one of protection. We simply wish equal rights for German commerce under the Imperial banner. Imperial power is sea-power. Our citizens abroad may rest absolutely assured that the protection of the Empire will everywhere be given them through the Imperial navy. Should any one infringe our rights, then use the mailed fist and earn your laurel wreath."

This celebrated speech, which was flashed with lightning speed all over the world, may be called the first official recognition by Germany that the opportune moment had arrived for a rapid forward movement in China. German marines had already landed in the Kiaochow bay; the German flag had already been hoisted there; and following such a speech as the one quoted, the import of this second one was clear: — "We have great duties in the world. There are Germans everywhere whom we must protect. German prestige must be preserved abroad. The trident belongs in our hands." A turning-point had thus been reached in German Far Eastern policy in 1897, and with a great deal of courage Germany showed her hand. That is the first point which it is necessary to notice.

The next indication came with somewhat the same dramatic suddenness, although it was some months before the general public knew the secret

of European chancelleries. Russia, in the form of a weak squadron, appeared at Port Arthur; England, in the form of a stronger squadron, came and then retired from the same anchorage; and as soon as the requirements of diplomacy could be satisfied two new international agreements appeared in the month of March 1898. These were the Kiaochow Convention and the Port Arthur Convention.

It soon became clear how it had been possible for Germany to arrange matters with Russia. Kiaochow had been the first port mentioned in that extraordinary Russian document, the abortive Cassini Convention. Its seizure by Germany was first intensely resented in Russian government circles; that is why, although Germany might possibly have succeeded in extorting from China its lease before the close of the year 1897, the actual agreement was not signed until the spring of 1898. In a former volume it has been clearly shown how Germany persuaded Russia to put into effect, simultaneously with her Kiaochow arrangement, that part of the Cassini Convention dealing with Manchuria which had not been covered by the Russo-Chinese Bank railway agreement of 1896; in other words, to put into effect the Cassini clause dealing with the ice-free harbour of Port Arthur. Russia at length consented to this, and gave up her right of pre-emption over Kiaochow, because Germany had undoubtedly been of the greatest help to Russia in 1895, when the triplicate of Powers forced Japan to retrocede to China the territory of Liaotung.

Thus is the second point established. Before the end of the year 1898 Germany had not only firmly established herself at Kiaochow *vis-à-vis* China and the world in general; she had, as her close ally in the Far East, Russia. It is very much to be doubted, it may be remarked in passing, whether Russia entirely liked this strange companionship with a Power against whom she was allied with France in Europe; but it is plain that with Slav *insouciance* she accepted the situation and patiently awaited developments.

In 1900 the developments came fast enough. The Boxers sprang into being; massacres of Europeans took place in many parts of China and Manchuria; the Peking Legations were besieged; Baron von Ketteler was killed; the fate of Tientsin and its improvised garrison hung in the balance for days; it seemed like the end of China. Great expeditions started from Europe and elsewhere; and then, in a flash, the Chinese movement miserably collapsed.

The collapse of the movement, and the number of nationalities involved, owing to the despatch of numerous expeditionary corps, alone saved China. If the Boxer movement had lasted one month longer the partition of China might have commenced. The Far Eastern imbroglio, however, had now begun to seriously frighten the British Foreign Office, and with the unfortunate Boer War still imposing a great drain on the Empire, it seemed advisable, nay imperative, that an understanding

should be arrived at with some European Power regarding China and Chinese affairs. But with which one?

Lord Salisbury's choice of Germany is peculiarly significant. Before this, when the despatch of the European expeditionary corps had taken place, England had agreed to the appointment of Field-Marshal von Waldersee to the supreme command of all the international troops. This was a tacit recognition of three facts: that Germany had been mainly responsible for the actual inception of the scramble for China; that the brutal murder of gallant Baron von Ketteler had been an act of folly on the part of China which played deliberately into Germany's hands; and that the South African war was still a matter of immense embarrassment to England.

The signature of that now half-forgotten Anglo-German Agreement of 1900 was extremely useful as an educator of public opinion—the ruling force of every great country. For it immediately showed that Germany, without stultifying herself, could not allow the guarantee of the open door and equal opportunity for all in the Chinese Empire to apply to Manchuria; in fact, this was publicly announced. It is clear, then, that in the 1897-98 Russo-German confidential negotiations, an absolute undertaking had been given to Russia that in Manchuria the latter power could act as she pleased, and that Germany would help the prosecution of her plans to the best of her ability.

The brilliant master-stroke of diplomacy of the first Anglo-Japanese Alliance Treaty was the reply which England was at length in a position to make. It was a daring instrument to sign, and any mistakes which may subsequently have been made by Lord Lansdowne in the matter of Far Eastern policy are atoned for by this momentous step, which rehabilitated England east of Singapore when years of foolish complacency had already largely undermined a splendid commercial and political position.

The secret effect on Germany of the first Anglo-Japanese Alliance must have been immense. It was the clearest answer which could be given, without bringing about a rupture in the Far East, to the note of interrogation which still continued to be written across the map of the Chinese Empire. And Germany, shrewdly giving way at the last moment over questions raised by the withdrawal of garrisons from certain points in China, left Russia in Manchuria face to face with Japan. After having contributed towards the threatened break-up, she suddenly became cautious in the face of new dangers. It is not yet clear what action Germany took in 1903, and it would be impertinent without definite knowledge to hazard any opinion on this subject. At a time when Russia was fencing, first with China, and then with Japan, over the great question of the evacuation of Manchuria—a question which was bound up with the question of Korea—Germany remained silent. That advice must have been tendered to Russia is certain;

and since Germany and Russia were to some extent allied in the Far East, it is reasonable to suppose that that advice was unfavourable to Japan's demands. Speculation in this branch of the subject is, however, at the moment superfluous; the fact is that as soon as the Russo-Japanese War began, German official and private opinion, at least amongst those who understood world-politics and had not been gained over to socialism, was absolutely on the Russian side in the Far East. It has not escaped the notice of observers in Europe that Berlin military opinion seems also to have been at the service of St. Petersburg; and all through the course of the war it was noticeable in the Far East that Germans were heart and soul opposed to Japan. It is here opportune to remark that such general opinion is an index in most cases to the government opinion behind it; for in distant countries the subjects of a great Power, if they are in any wise intelligent and far-seeing, follow with the closest interest every move of their own governments, and unconsciously reflect the feelings of these governments in their altered demeanour whenever a sequence of events is in danger of causing a startling upset.

The Portsmouth Peace brings us immediately to the fourth and present phase of German policy in the Far East. It has been shown that there was first a period of abrupt expansion in 1897; secondly, a period during which a peculiar *entente* with Russia in the Far East was sealed; and, thirdly, a period of

doubt and fencing which lasted from the Boxer year to the end of the recent war. The fourth phase has been also highly interesting. It has been a period during which Germany has been accepting facts as she finds them, and during which her position has been, so to speak, re-stated. Tacitly, the speculative nature of her policy during seven years has been acknowledged; openly, Germany has said that everything being now settled to every one's satisfaction, the time has obviously come for removing disabilities which remained over from the Boxer year. This policy has been undoubtedly clever.

Thus the German Emperor proposed, at the end of 1905, that the international garrisons which remained in North China as a relic of 1900 should be promptly removed. It is perhaps significant that the Kaiser should have been the first to act in the matter; it was as if he wished to show that a certain German leadership remained in China regarding the Boxer affair, as a result of Count von Waldersee's command; and that Germany had really been merely an interested spectator of the great events of the years 1904 and 1905, without being in the slightest affected by them.

The proposal to evacuate North China was not agreed to—at least not in its entirety—and there can be no doubt that with the altered state of affairs in China it would have been a grievous *faux pas* to have taken. Meanwhile Germany gave immediate effect in a modest way to her new plans. The port of Tsingtao—which is a free port in the Kiaochow

territory—was converted under a special Customs Agreement, signed in Peking in October 1905 by Baron Mumm von Schwartzenstein, the German Minister, and Sir Robert Hart, the Inspector-General of Chinese Customs, into practically a China treaty port from the point of view of duty-levying. A portion of the import duties collected by the Chinese Custom House at Tsingtao (20 per cent of the whole) was set apart under this agreement for the government of the German colony, thus relieving to a slight extent the heavy expenditure which the Reichstag had yearly been forced to sanction for the upkeep and development of this leased territory. Thus the dream of a German Hong-Kong in China is temporarily finished; but it must be confessed that in this matter the German Government has acted wisely.

The second step was a second agreement with the Shantung provincial authorities for the sale of the German barracks at the two Chinese towns of Kiaochow and Kaumi, along the German railway line in Shantung, and for the withdrawal of the small German garrisons which have been kept at these strategical points ever since 1900. The barracks were sold for a heavy price, and the troops drawn into the narrow limits of Tsingtao. At the same time the German post offices which had been operated at a loss in Shantung were closed.

The third step has been the departure for Europe of a mixed Brigade of some 2000 German troops from North China, with the promise that other

German detachments are to follow, leaving in the end only a modest German Legation guard in Peking. By these various acts Germany has openly shown that she wishes the world to take at their face-valuation the recent words of Prince Bülow:—As regards East Asia, the Chancellor said Germany's relations with Japan were good and friendly. He believed the Japanese, who through their bravery and intelligence had won a position amongst the great Powers, were anxious to consolidate their position by a policy inspiring confidence. The Anglo-Japanese Treaty contained nothing contrary to Germany's aims. Germany had striven for and desired the open door, and the greatest possible securities for peace and the maintenance of the integrity and independence of China.

Yet although this declaration should be sufficient in the circumstances, it is clear from what has been written that the conditions in the Far East preclude final statements being made. For there are evidences which point clearly to the fact, that notwithstanding contradictions made in the House of Commons, Germany only a few months ago attempted to acquire the lease of Pulo Laut in order to convert the port into a naval station.

In a former volume it was stated that "Tsingtao and the German Colony are but the first links in a great chain, links that are being forged now whilst others more essential are left untouched, because metal has first been taken from the place of least resistance, which, at the present stage of the world's

history, is China." The acquisition of such a port as Pulo Laut would tend to consolidate the growing German trade with the Straits Settlements, Java, Sumatra, and Siam. Nor must it be forgotten that the fortification scheme at Tsingtao is now being attended to, and that fresh detachments of German garrison artillery have been ordered for service in this East Asiatic colony. The Reichstag has also been invited to send a picked deputation to Kiaochow to see with their own eyes what has been done, and to convince themselves that Germany has really invested her money wisely and well, and need only have patience. The completion of the newly laid cable from Shanghai to Yap is especially remarkable, for the reason that a continuous line of cable has been laid around the whole earth which is not English. The cable henceforth assures to Germany telegraphic union with the Ladrone and Caroline Islands, which are German colonial possessions; and also with the great Sunda Islands and the important Dutch colonial possessions in farther India, which are also so important for German commerce. Thus it seems clear that, during the period which must elapse before the expiry of the present Anglo-Japanese Alliance, there will be a consolidation of German interests and a watchful study of events in the Far East generally, rather than any great forward movement. To this no one can take the slightest exception, and no one would, were there not the feeling that behind smooth phrasing and everyday acts lies that fateful quantity, an

imprisoned Empire which is unceasingly seeking outlets. It is this alone which brings German policy into conflict with the policies of other Powers; it is not the activity of German merchants, or of German shipping, or of German syndicates.

For these have always found an open door and no favour wherever they have established themselves in ports where England is either the actual owner or the dominant Power. In Singapore, in Hong-Kong, in Shanghai, in Tientsin, in Hankow, in a dozen other places, Germans acquired great interests previous to the curious year of 1897, and never found that national jealousies attempted to restrict their activities. They were specially favoured rather than looked at askance; they were indeed viewed as good men who devoted themselves exclusively to the growth of trade and the development of their interests. So well did they thrive that it is actually from such English-controlled places that they have spread themselves farther afield. It has simply been the intrusion of an imperial policy, a policy which is frankly not for the open door, which has interrupted this happy state of affairs. That German interests, measured in commercial terms, have been actually advanced no one believes; that Germany has had the satisfaction of acting arbitrarily every one is convinced.

It is, then, this imperialist-opportunist policy which is the stumbling-block to a belief that, as far as Germany is concerned, matters have been definitely settled in East Asia. It is indeed impossible to

believe it. The present truce and transition period can only be happily overcome by the creation in nine short years of a reasonably strong China. Alliances such as the Anglo-Japanese are indeed bad drugs—for both their users—if the habit of making them becomes a permanent one. They are no solution for the great world-question of the twentieth century, China. Only China can solve the problem of China. If she becomes a Turkey, that is, a country indifferently administered but with a most powerful army, Germany's rôle will be clear. What is to happen no man may yet say. Meanwhile time is slipping fast from underneath our feet; and as a last word it may be said that Germany's modifications and qualifications have done little to change the springs of action which were disclosed, as far as China is concerned, in the year 1897.

CHAPTER V

FRANCE AND COLONIAL POLITICS

THE fifth and last Power to be considered as a potential factor is France. Measured as a colonial Power in the Far East, France stands high. In the Empire of Indo-China she has a magnificent possession. With an immense native population numbered now at no less than twenty million souls, with a fertile soil, and with a home government quite devoted to the cultivation of the colonial idea, the student of statistics and geographies might readily suppose that in Indo-China there are great possibilities. Yet Indo-China is a colony full of qualifications and disappointments. The climate, generally speaking, is atrocious; the French army of occupation is wrecked body and soul with deadly fevers; the officials are too numerous and none too energetic; "colonists" can scarcely be induced to settle. The lengthy stay of the Baltic fleet in the territorial waters of Indo-China disclosed to every one the fact that there were magnificent harbours which had probably lain useless since the beginning of time because of the insalubrious climate and the consequent absence of a vigorous population. The matter

of the Baltic fleet, too, disclosed indirectly that France was really weak in Indo-China, and that in spite of large votes of money—such as the willingly given vote of the French Chambers in 1898 for a loan of 200,000,000 francs for the construction of railways — the country is practically undeveloped. The difficulties by land and by sea which France encountered in her 1884-1885 war with China would be experienced again did circumstances necessitate another conflict. Indo-China, although from its position on the map apparently a good base to work from, is so not for actual warfare, but only for "pacific penetration." And it is here that in a very modified and modest form—because of climatic and geographical difficulties — France has followed the example of another Power. In 1898 the territory of Kuangchowwan was leased, following the example set by Russia and Germany two thousand miles to the north. In 1898, too, the ambitious railway programme, to which full reference has been made in a former volume, was drawn up, and in the years immediately following it seemed in consequence as if a great part of the provinces of Yünnan, Kueichow, Kuangsi, Szechuan, and possibly Kuangtung, was destined some day to fall under French sway. And in those years preceding the Russo-Japanese War, great efforts were made by enthusiasts to increase French interests in the territorial waters of China by planning and putting into operation small schemes for subsidising French coasting shipping.

The recent war marks a definite period in this general French colonial policy as clearly as it does in the policy of every other important country. During the war France was undoubtedly placed in a most difficult position in the Far East, and the historian of the future will be forced to allow that, with her eyes always keenly watching the Franco-German frontier at home, and therefore forced to remember the Dual Alliance, France acted remarkably well. It is easy enough for the expert in international law to question the attitude of the French authorities in Indo-China during a crucial period of the war, and to say that, in spite of the fundamental differences which exist between the code which governs French neutrality and the code which governs British neutrality, France acted with singular laxity; but it is well to remember that the French authorities had to give ear to a dozen voices, and to escape from a dangerous entanglement by satisfying all people as little and as much as possible.

It is also well to remember that had a visitor from Mars been suddenly deposited in the disputed regions of the Far East at any time during the war, and had purposely been left quite uninformed regarding the political history of the world, he would have been almost convinced that it was Germany, and not France, who was Russia's companion in the Dual Alliance. In other words, of the two contestants in the war of 1870, Germany showed in small ways her alarm and disapproval of the Japanese

actions in the Far East five times more clearly than did France. The French attitude, indeed, may be described as one more of sorrow than of anger. Natural conditions and considerations alone made this so; it is not necessary on that account to make Germany appear the more malevolent Power. Because France is not an imprisoned Power; because France has no dreaming, yet energetic Emperor; because France has already enormous colonial possessions which will take many decades of hard work to develop; because of these considerations, and of a dozen others of the same kind, France is as she is, and acted accordingly in the Far East. Thus throughout the war she adopted a peaceful policy of self-extinction.

The only question which is now of interest is the particular place which will be assigned to France in the Far East, and notably in China, during the coming decade. Can it be boldly and absolutely said that she considers all things as being definitely settled? To this question there can be but one answer. It is the same negative which every Power of intelligence must pronounce when the subject of East Asia is confidentially discussed. That there is now a transition period, during which the various forces which must one day again contend in some form of struggle are largely engaged in gathering strength and calculating their chances of success, is plain; beyond that no one may look. What France's rôle is to be is, then, far from clear, as it must be dictated by many considerations; for

French interests in China are of a peculiar order, and a glance at them is illuminating.

First of all, since it is the oldest, there is the French interest in Roman Catholicism. Ever since the first treaties were made, France has been the official protector of all Romanist missions in China. Previous to the nineteenth century the kings of France took the friendliest interest in the propagation of this faith, and the wonderful and beautiful astronomical instruments of bronze which adorned the Peking Observatory, until the Germans ruthlessly carried them away in 1900, were a gift of a Louis of France. During the days of the great persecutions of Catholics in China, it was French people of the eighteenth century whose contributions largely kept alive the Romanist faith. Historically, then, France deserved to be the protector of Catholic missions in China; and this fact alone has given her great influence. The separation of Church and State in France and the abrogation of the Concordat have made it necessary for the Belgian, Italian, and Spanish Ministers in Peking to assume control over their compatriots who are included in the Roman Catholic missions. But still, as these are largely outnumbered by Frenchmen, and as the great Orders, such as the Jesuits, are practically French in China, there will be but little diminution of French authority in this matter until the See of Rome sees fit to appoint a Papal Legate to Peking, as should have been done years ago.

Next, France is historically interested in China

in another way, or, to put it more clearly, has a certain prestige and influence given her by her history. She is one of the oldest of the great Powers in China, and next to England, although in a very much smaller degree, has done most towards the opening of China. The French co-operated with the British in the Far East during the Crimean War; the French helped in the strange Canton days of the late fifties; French soldiers marched side by side with British soldiers on Peking in 1860, and secured the ratification of the Tientsin Treaties of 1858. Thus France retained for many a long year, and revived to some extent by her energy in Indo-China, the glamour of the Napoleonic days which are now quite forgotten.

In commerce and shipping France's interests in China and the Far East have always been trifling, and this perhaps is why she threw herself with such energy in the nineties into the railway exploitation of the country. Possessing great sums of money lying idle at home, French capitalists, under whatever mask was deemed most suitable, began the prosecution of plans which might really have expanded into creations of the magnitude which a de Lesseps has made famous, had not China and the Far East already been a battlefield in course of preparation. The curious diplomacy of those days, to which such ample reference has been made elsewhere, was half defeated before it was half successful; and France came out of the contest with a heavy bond-holding interest in the great

Peking-Hankow line and its feeder-branches, and the right to complete the Yünnan line.

Of other interests France has no great store. As has been said, her shipping is trifling compared to the shipping of four other Powers; her merchants are outnumbered by the traders of the same four Powers; and her territory of Kuangchowwan is the least valuable of the famous "leases" of the year 1898. Her interests in China are served by two French newspapers whose existence would be doubtful were it not for government support; and although her *concessionnaires* are still watching and waiting for the turn of the tide, there seems little hope that they will ever make profit by it.

It will thus be seen that France in the Far East, and more especially in China, is a capitalist Power, with some big interests which can be counted on the fingers, and which are strengthened by an old historical position. If disaster overcomes China, France may actually occupy the provinces which border on, or are adjacent to the Tonkin frontier. But that is all. France can no longer be reckoned a disintegrating force in the Far East unless extraordinary and unlooked-for things happen elsewhere. For France, indeed, it may be said that the brightest hope for her empire of Indo-China is that China itself becomes a great Power; that Chinese pour over the Red River on Franco-Chinese railways; and that each country, content with the boundary lines which existed before 1898, gives its best efforts to natural and not unnatural development.

CHAPTER VI

CONCLUSIONS

THE factors which go to make what is known as the Far Eastern problem have now all been analysed and discussed as frankly as possible. Every point of importance has been given as much attention as has been deemed advisable, and perhaps something of the curious nature of the truce, which is too confidently spoken of as a peace, will now be understood. It will be plain that the terms of the new Anglo-Japanese Alliance make it unlikely, and even almost impossible, that this truce will be broken until the year 1915, except by movements of disorder, which may develop into rebellions, in China itself. That there will be such movements no one would be bold either to predict or to deny in absolute terms. They are at present only grim possibilities which have to be carefully considered.

From geographical considerations alone, the two most important factors, however, in all this terribly entangled situation must of necessity be China and Japan — China, which is at last waking up to the urgent need for action and is doing many things,

and Japan, which has to justify in some way an enormous expenditure and a most peculiar entrenched position in Korea and Southern Manchuria. England, from the fact that she is allied to Japan by a hard and fast alliance, has assumed in regard to this island Power, which may soon consider itself under the necessity of openly becoming a continental Power as well, an attitude which may have seemed justifiable in the month of July 1905, having due regard to the position in the field at that date, but which is rapidly beginning to make serious and far-seeing men in the East wonder whether the military impotence which is so openly advertised by the Lansdowne-Hayashi Treaty will not be bitterly regretted before middle-aged persons have become old. China, understanding something of all this, and cynically estimating that England is becoming anti-militarist, as she herself has been in the past, is forced in her foreign affairs to act in a way which proclaims that the Anglo-Japanese Alliance, although it nominally guarantees her territorial integrity, is concerned more especially with the territorial integrity and the private programmes of the two signatory Powers. It may be boldly said, then, that from the internal point of view the truce in the Far East centres round the future actions and policies of three countries, England, Japan, and China. Of these three factors Japan is at the present moment by far the most powerful; but it is important to remember that this condition is produced largely by the British Alliance, which, while making Japan

what she is in relation to the outer world, also confines the Far Eastern question to certain limits and thereby constrains other factors probably no less powerful (*e.g.* the Russian factor) to remain temporarily inactive and to have the appearance of external rather than internal forces. In other words, an international agreement of the highest importance has been responsible for the creation of a peculiar transition period in the Far East, and although up to the present there have been no unfortunate results, signs are not wanting that British diplomacy during the weary months of the Russo-Japanese war was too successful; in fact, that there has been a certain meretricious element in it all.

For no one will deny that the present state of affairs is an artificial one;—one which cannot be continued indefinitely without producing abnormal results; one which may be actually harmful not only to one signatory of the Anglo-Japanese Alliance, but to the other as well. The alarming discovery that England can no longer protect her great Indian Empire from attacks, which for the time being can only be assumed to be Russian attacks, without calling in an alien soldiery to help in the defence, is itself sufficient to produce the profoundest melancholy, and to make men wonder whether a great decline has really come in those virtues on which the Anglo-Saxon once prided himself, and owing to which he succeeded in exalting himself above all other nations. The hurried diplomacy which permitted England to alter funda-

mentally her attitude towards the Korean problem, and which surrendered important privileges with some cynicism, points to the fact that whereas broad principles are studied and well understood, scientific detail work remains an unexplored wilderness to British diplomatists.

And when the immense problem of China is interjected into these perplexities and complexities —China with her ever-shifting currents and cross-currents, her hopes and her fears, her corruption and her reform — the melancholy deepens. One hope indeed remains, the fulfilment of which may materially alter and materially improve every question east of Singapore, and, by accomplishing such alteration and improvement, may force on other alterations and improvements from the Persian Gulf to the Sea of Okhotsk. This hope is the birth of a strong and sane China. The work to be performed before such an organism can arise is immense, stupendous, enormous; indeed, so great is it that no one knows what to believe and what to fear.

Yet with all this doubt and perplexity, the broad lines along which China must move are sufficiently clear to invite a little courage and confidence. The first and greatest necessity of the moment is the adjustment of the currency and financial questions. If China during the coming eight or nine years can evolve a sound national currency, first possibly based on the silver standard and free coinage of silver, then passing, after full study and patient examina-

tion, to the gold standard, an international guarantee of extraordinary value will have been created. For the adjustment of internal abuses—an adjustment which will be hastened by the return home of the tens of thousands of Chinese students who will by then have completed scientific courses abroad—will slowly follow, and that greatest of internal fiscal problems, the taxation of land, and the establishment of a proper system of accountancy, will be attended to. And *pari passu* with this it may be possible to convert and consolidate the Chinese indemnities into one National Debt. This is a transformation which, when confidence has been gained by other primary steps, will alone give China a new position. At the present moment the indemnities are resented by Chinese officials as much as the indemnity of five millions would have been resented by Frenchmen after the disasters of 1870, had Germany stipulated that payment was to be spread over a large number of years with a heavy rate of interest added. It is the *form* which Chinese officials resent far more than the payments themselves. The transaction is too manifestly a fine imposed on China because she was both weak and a fool for ten short weeks. The easing of this load, the obscuring of its nature by resorting to European financial methods, would not only be a clever step, but a consolidating and consoling one as well.

Immediately after the special and complicated financial problem, comes the question of giving

effect as rapidly as possible to every clause of the Mackay Treaty. The international value of what is ostensibly merely a commercial treaty is well understood by all the Powers; and if some of them have hesitated to follow England's example, it is probably because of the cunctative quality with which all European diplomacy in Asia is now impregnated. For the enforcement of treaties on the Mackay model would open China as much as is possible, so long as extra-territoriality remains the basic principle in Sino-European relations. Far greater sums will be collected by the Imperial Maritime Customs at the trading ports, whilst competent officers will oversee in every province the collection of interprovincial trading taxes, and be able to account for these in regular returns. The supervision of the Foreign Services of China by Chinese Imperial High Commissioners, if it is sanely carried out, may really lead to the conversion of these Services into branches of the Chinese Civil Service, thus removing their present dubious position of being at once a farm in the hands of one British official and a species of *Caisse de la dette*.

Increased revenues and increased centralisation will mean that China will be in a position to cement permanently to her inert and defenceless body an army comprising thirty-six divisions, having a peace-footing of 400,000 men and a war-footing of 1,500,000 men. There will be no danger in this if it is a *result* of reform, and not the *reason* for reform, as it largely is at the present moment. The Chinese

Government is sufficiently alive to its own interests not to wish to dash its head against any stone wall merely because it is becoming a redoubtable factor on the battlefield; for the Chinese Government is like the Chinese individual—desperation only comes to it after much exasperation, and a nation that had profound philosophies when Europe was a dark continent, may be counted on to preserve its admirable common sense when its visible wealth becomes ten times what it is to-day.

And not only will a Chinese army arise in such circumstances, but a Chinese navy as well. It is self-evident that in order to preserve properly and permanently the balance of power in the Eastern Seas a modern Chinese navy, superior, rather than inferior, to the navy of Japan, is quite necessary. That China can possess a really good and efficient navy is plain, since from Newchwang to the island of Hainan there are whole populations of mariners who understand the secret of the sea, and who are certainly not inferior to the Japanese in every seaman-like quality. How much indeed would a fleet of fifteen Chinese battleships and thirty cruisers alter things! That fleet would have an extraordinary effect; its creation would be a victory almost as great as that gained by Admiral Togo over the Baltic Armada in the Tsushima Straits.

Last, but indeed not least, are the Chinese railways. These, it is already clear, are destined to be not only a constructive, reforming and developing force of extraordinary power, an incentive to trade

and an inducement to a brighter outlook on life in general, but also the long-looked-for centralising force which may do more in the great work of turning an administration which has ruled only by equipoise and compromise into a true Central Government. Already the shadow of this is apparent. To Peking, Hankow is no longer a geographical expression, the seat of the Viceroyalty of two of the most turbulent and important provinces of China. It is linked to the capital by fast-moving trains which reduce great distances in an astounding fashion. Ten years ago it took thirty days of hard travel to reach Peking from the Yangtze terminus; to-day it takes *thirty-six hours*. The moment the government grapples with the railway question and understands its immense importance, it will hurry on construction night and day. There are at the moment under 4000 miles of railways on Chinese soil, including Manchuria; if 6000 miles more can be properly built by 1915, the expression, "the Chinese Empire," will have more meaning, and the growing nationalism will be both intensified and directed into proper channels.

There is yet time for all this; a great deal of it will and must come during the present period. The Empress Dowager of China cannot hold the reins of government much longer; things will happen inevitably which will hasten the taking of forward steps. This, then, is the great and only solution for the many involved problems—the rapid growth of New China. This growth, and this growth alone,

will turn the present truce into a real peace, and will arrest all vague and shadowy plans. And along with this growth will come naturally and without urging a momentous result—a result which will be the signal that Japan has become an independent nation in the true sense of the word, that China has risen as a modern Power, that England is not a military nonentity, and that Russia has inaugurated a new policy. This result will be the termination for ever of the Anglo-Japanese Alliance.

APPENDICES

PART I

APPENDIX I

THE ANGLO-JAPANESE ALLIANCE

AGREEMENT BETWEEN THE UNITED KINGDOM AND JAPAN, SIGNED AT LONDON, 12TH AUGUST 1905

PREAMBLE

THE Governments of Great Britain and Japan, being desirous of replacing the Agreement concluded between them on the 30th January 1902 by fresh stipulations, have agreed upon the following Articles, which have for their object:

(*a*) The consolidation and maintenance of the general peace in the regions of Eastern Asia and of India.

(*b*) The preservation of the common interests of all Powers in China by insuring the independence and integrity of the Chinese Empire and the principle of equal opportunities for the commerce and industry of all nations in China.

(*c*) The maintenance of the territorial rights of the high contracting parties in the regions of Eastern Asia and of India, and the defence of their special interests in the said regions.

ARTICLE I

It is agreed that whenever, in the opinion of either Great Britain or Japan, any of the rights and interests referred to in the preamble of this Agreement are in jeopardy, the two Governments will communicate with one another fully and frankly, and will consider in common the measures which should be taken to safeguard those menaced rights or interests.

Article II

If by reason of unprovoked attack or aggressive action, whenever arising, on the part of any other Power or Powers, either contracting party should be involved in war in defence of its territorial rights or special interests mentioned in the preamble of this Agreement, the other contracting party will at once come to the assistance of its ally, and will conduct the war in common, and make peace in mutual agreement with it.

Article III

Japan possessing paramount political, military, and economic interests in Korea, Great Britain recognises the right of Japan to take such measures of guidance, control, and protection in Korea as she may deem proper and necessary to safeguard and advance those interests, provided always such measures are not contrary to the principle of equal opportunities for the commerce and industry of all nations.

Article IV

Great Britain having a special interest in all that concerns the security of the Indian frontier, Japan recognises her right to take such measures in the proximity of that frontier as she may find necessary for safeguarding her Indian possessions.

Article V

The high contracting parties agree that neither of them will, without consulting the other, enter into separate arrangements with another Power to the prejudice of the objects described in the preamble of this Agreement.

Article VI

As regards the present war between Japan and Russia, Great Britain will continue to maintain strict neutrality unless some other Power or Powers should join in hostilities against Japan, in which case Great Britain will come to the assistance of Japan, and will conduct the war in common, and make peace in mutual agreement with Japan.

Article VII

The conditions under which armed assistance shall be afforded by either Power to the other in the circumstances mentioned in the present Agreement, and the means by which such assistance is to be made available, will be arranged by naval and military authorities of the contracting parties, who will from time to time consult one another fully and freely upon all questions of mutual interest.

Article VIII

The present Agreement shall, subject to the provisions of Article VI., come into effect immediately after the date of its signature, and remain in force for ten years from that date.

In case neither of the high contracting parties should have notified twelve months before the expiration of the said ten years the intention of terminating it, it shall remain binding until the expiration of one year from the day on which either of the high contracting parties shall have denounced it. But if, when the date fixed for its expiration arrives, either ally is actually engaged in war, the alliance shall, *ipso facto*, continue until peace is concluded.

In faith whereof, the undersigned, duly authorised by their respective Governments, have signed this Agreement, and have affixed thereto their seals.

Done in duplicate at London, the 12th day of August 1905.

Lansdowne, His Britannic Majesty's Principal Secretary of State for Foreign Affairs.

Tadasu Hayashi, Envoy Extraordinary and Minister Plenipotentiary of his Majesty the Emperor of Japan at the Court of St. James.

APPENDIX II

THE RUSSO-JAPANESE TREATY OF PEACE

Official Text

His Majesty the Emperor of Japan on the one part, and His Majesty the Emperor of all the Russias on the other part, animated by the desire to restore the blessings of peace to Their countries and peoples, have resolved to conclude a Treaty of Peace, and have, for this purpose, named Their Plenipotentiaries, that is to say:

His Majesty the Emperor of Japan:—His Excellency Baron Komura Jutaro, Jusammi, Grand Cordon of the Imperial Order of the Rising Sun, His Minister for Foreign Affairs, and His Excellency M. Takahira Kogoro, Jusammi, Grand Cordon of the Imperial Order of the Sacred Treasure, His Envoy Extraordinary and Minister Plenipotentiary to the United States of America;

And His Majesty the Emperor of all the Russias:—His Excellency M. Serge Witte, His Secretary of State and President of the Committee of Ministers of the Empire of Russia, and His Excellency Baron Roman Rosen, Master of the Imperial Court of Russia and His Ambassador Extraordinary and Plenipotentiary to the United States of America;

Who, after having exchanged their full powers, which were found to be in good and due form, have concluded the following Articles:—

Article I

There shall henceforth be peace and amity between Their Majesties the Emperor of Japan and the Emperor of all the Russias and between Their respective States and subjects.

Article II

The Imperial Russian Government, acknowledging that Japan possesses in Korea paramount political, military, and economical interests, engage neither to obstruct nor interfere with the measures of guidance, protection, and control which the Imperial Government of Japan may find it necessary to take in Korea.

It is understood that Russian subjects in Korea shall be treated exactly in the same manner as the subjects or citizens of other foreign Powers, that is to say, they shall be placed on the same footing as the subjects or citizens of the most favoured nation.

It is also agreed that, in order to avoid all cause of misunderstanding, the two High Contracting Parties will abstain, on the Russo-Korean frontier, from taking any military measure which may menace the security of Russian or Korean territory.

Article III

Japan and Russia mutually engage:

1. To evacuate completely and simultaneously Manchuria, except the territory affected by the lease of the Liaotung Peninsula, in conformity with the provisions of additional Article I. annexed to this Treaty; and

2. To restore entirely and completely to the exclusive administration of China all portions of Manchuria now in the occupation or under the control of the Japanese or Russian troops, with the exception of the territory above mentioned.

The Imperial Government of Russia declare that they have not in Manchuria any territorial advantages or preferential or exclusive concessions in impairment of Chinese sovereignty or inconsistent with the principle of equal opportunity.

Article IV

Japan and Russia reciprocally engage not to obstruct any general measures common to all countries which China may take for the development of the commerce and industry of Manchuria.

Article V

The Imperial Russian Government transfer and assign to the Imperial Government of Japan, with the consent of the Government of China, the lease of Port Arthur, Talien, and adjacent territory and territorial waters, and all rights, privileges, and concessions connected with or forming part of such lease, and they also transfer and assign to the Imperial Government of Japan all public works and properties in the territory affected by the above-mentioned lease.

The two High Contracting Parties mutually engage to obtain the consent of the Chinese Government mentioned in the foregoing stipulation.

The Imperial Government of Japan on their part undertake that the proprietary rights of Russian subjects in the territory above referred to shall be perfectly respected.

Article VI

The Imperial Russian Government engage to transfer and assign to the Imperial Government of Japan, without compensation and with the consent of the Chinese Government, the railway between Changchun (Kuan-ch'êng-tzu) and Port Arthur and all its branches, together with all rights, privileges, and properties appertaining thereto in that region, as well as all coal-mines in the said region belonging to or worked for the benefit of the railway.

The two High Contracting Parties mutually engage to obtain the consent of the Government of China mentioned in the foregoing stipulation.

ARTICLE VII

Japan and Russia engage to exploit their respective railways in Manchuria exclusively for commercial and industrial purposes, and in no wise for strategic purposes.

It is understood that that restriction does not apply to the railway in the territory affected by the lease of the Liaotung Peninsula.

ARTICLE VIII

The Imperial Governments of Japan and Russia, with a view to promote and facilitate intercourse and traffic, will, as soon as possible, conclude a separate convention for the regulation of their connecting railway services in Manchuria.

ARTICLE IX

The Imperial Russian Government cede to the Imperial Government of Japan, in perpetuity and full sovereignty, the southern portion of the Island of Saghalien and all islands adjacent thereto, and all public works and properties thereon. The fiftieth degree of north latitude is adopted as the northern boundary of the ceded territory. The exact alignment of such territory shall be determined in accordance with the provisions of additional Article II. annexed to this Treaty.

Japan and Russia mutually agree not to construct in their respective possessions on the Island of Saghalien or the adjacent islands any fortifications or other similar works. They also respectively engage not to take any military measures which may impede the free navigation of the Straits of La Perouse and Tartary.

ARTICLE X

It is reserved to the Russian subjects, inhabitants of the territory ceded to Japan, to sell their real property and retire to their country; but if they prefer to remain in the ceded territory, they will be maintained and protected in the full exercise of their industries and rights of property, on condition of submitting to Japanese laws and jurisdiction. Japan shall have full liberty to withdraw the right of residence in, or to deport from such territory, any inhabitants who labour under political or administrative disability. She engages, however, that the proprietary rights of such inhabitants shall be fully respected.

Article XI

Russia engages to arrange with Japan for granting to Japanese subjects rights of fishery along the coasts of the Russian possessions in the Japan, Okhotsk, and Behring Seas.

It is agreed that the foregoing engagement shall not affect rights already belonging to Russian or foreign subjects in those regions.

Article XII

The Treaty of Commerce and Navigation between Japan and Russia having been annulled by the war, the Imperial Governments of Japan and Russia engage to adopt as the basis of their commercial relations, pending the conclusion of a new Treaty of commerce and navigation on the basis of the Treaty which was in force previous to the present war, systems of reciprocal treatment on the footing of the most favoured nation, in which are included import and export duties, customs formalities, transit and tonnage dues, and the admission and treatment of the agents, subjects, and vessels of one country in the territories of the other.

Article XIII

As soon as possible after the present Treaty comes into force all prisoners of war shall be reciprocally restored. The Imperial Governments of Japan and Russia shall each appoint a special Commissioner to take charge of prisoners. All prisoners in the hands of one Government shall be delivered to the Commissioner of the other Government, or to his duly authorised representative, in such convenient numbers and at such convenient ports of the delivering State as such delivering State shall notify in advance to the Commissioner of the receiving State.

The Governments of Japan and Russia shall present to each other, as soon as possible after the delivery of prisoners has been completed, statements of the direct expenditures respectively incurred by them for the care and maintenance of prisoners from the date of capture or surrender up to the time of death or delivery. Russia engages to repay to Japan, as soon as possible after the exchange of the statements above provided, the difference between the actual amount so expended by Japan and the actual amount similarly disbursed by Russia.

Article XIV

The present Treaty shall be ratified by Their Majesties the Emperor of Japan and the Emperor of all the Russias. Such

ratification shall, with as little delay as possible, and in any case not later than fifty days from the date of the signature of the Treaty, be announced to the Imperial Governments of Japan and Russia respectively through the French Minister in Tokyo and the Ambassador of the United States in Saint Petersburg, and from the date of the later of such announcements this Treaty shall in all its parts come into full force.

The formal exchange of the ratification shall take place at Washington as soon as possible.

ARTICLE XV

The present Treaty shall be signed in duplicate in both the English and French languages. The texts are in absolute conformity, but in case of discrepancy in interpretation the French text shall prevail.

In witness whereof the respective Plenipotentiaries have signed and affixed their seals to the present Treaty of Peace.

Done at Portsmouth (New Hampshire) this fifth day of the ninth month of the thirty-eighth year of Meiji, corresponding to the twenty-third day of August (5th September) one thousand nine hundred and five.

(Signed)	SERGE WITTE.	[L. S.]
(Signed)	ROSEN.	[L. S.]
(Signed)	JUTARO KOMURA.	[L. S.]
(Signed)	K. TAKAHIRA.	[L. S.]

SUPPLEMENTARY AGREEMENT.

In conformity with the provisions of Articles III. and IX. of the Treaty of Peace between Japan and Russia of this date, the undersigned Plenipotentiaries have concluded the following additional Articles:—

I. TO ARTICLE III

The Imperial Governments of Japan and Russia mutually engage to commence the withdrawal of their military forces from the territory of Manchuria simultaneously and immediately after the Treaty of Peace comes into operation, and within a period of eighteen months from that date the armies of the two countries shall be completely withdrawn from Manchuria, except from the leased territory of the Liaotung Peninsula.

The forces of the two countries occupying the front positions shall be first withdrawn.

The High Contracting Parties reserve to themselves the right to maintain guards to protect their respective railway lines in Manchuria. The number of such guards shall not exceed fifteen per kilometre, and within that maximum number the Commanders of the Japanese and Russian armies shall, by common accord, fix the number of such guards to be employed as small as possible, having in view the actual requirements.

The Commanders of the Japanese and Russian forces in Manchuria shall agree upon the details of the evacuation in conformity with the above principles, and shall take by common accord the measures necessary to carry out the evacuation as soon as possible, and in any case not later than the period of eighteen months.

II. To Article IX

As soon as possible after the present Treaty comes into force, a Commission of Delimitation, composed of an equal number of members to be appointed respectively by the two High Contracting Parties, shall on the spot mark in a permanent manner the exact boundary between the Japanese and Russian possessions on the Island of Saghalien. The Commission shall be bound, so far as topographical considerations permit, to follow the fiftieth parallel of north latitude as the boundary line, and in case any deflections from that line at any points are found to be necessary, compensation will be made by correlative deflections at other points. It shall also be the duty of the said Commission to prepare a list and description of the adjacent islands included in the cession; and, finally, the Commission shall prepare and sign maps showing the boundaries of the ceded territory. The work of the Commission shall be subject to the approval of the High Contracting Parties.

The foregoing additional Articles are to be considered as ratified with the ratification of the Treaty of Peace to which they are annexed.

Portsmouth, the fifth day of the ninth month of the thirty-eighth year of Meiji, corresponding to the twenty-third August (5th September) 1905.

(Signed) Serge Witte.
(Signed) Rosen.
(Signed) Jutaro Komura.
(Signed) K. Takahira.

APPENDIX III

DISPATCH TO HIS MAJESTY'S AMBASSADOR AT ST. PETERSBURG, FORWARDING A COPY OF THE AGREEMENT BETWEEN THE UNITED KINGDOM AND JAPAN, SIGNED AT LONDON, 12TH AUGUST 1905

The MARQUIS OF LANSDOWNE to SIR C. HARDINGE

FOREIGN OFFICE, *6th September* 1905.

SIR—I inclose, for your Excellency's information, a copy of a new Agreement concluded between His Majesty's Government and that of Japan in substitution for that of the 30th of January 1902. You will take an early opportunity of communicating the new Agreement to the Russian Government.

It was signed on the 12th of August, and you will explain that it would have been immediately made public but for the fact that negotiations had at that time already commenced between Russia and Japan, and that the publication of such a document whilst those negotiations were still in progress would obviously have been improper and inopportune.

The Russian Government will, I trust, recognise that the new Agreement is an international instrument, to which no exception can be taken by any of the Powers interested in the affairs of the Far East. You should call special attention to the objects mentioned in the preamble as those by which the policy of the contracting parties is inspired. His Majesty's Government believe that they may count upon the goodwill and support of all the Powers in endeavouring to maintain peace in Eastern Asia, and in seeking to uphold the integrity and independence of the Chinese Empire and the principle of equal opportunities for the commerce and industry of all nations in that country.

On the other hand, the special interests of the contracting parties are of a kind upon which they are fully entitled to insist, and the announcement that those interests must be safeguarded is one which can create no surprise, and need give rise to no misgivings.

I call your special attention to the wording of Article II., which lays down distinctly that it is only in the case of an unprovoked attack made on one of the contracting parties by another Power or Powers, and when that party is defending its territorial rights and special interests from aggressive action, that the other party is bound to come to its assistance.

Article III., dealing with the question of Korea, is deserving of special attention. It recognises in the clearest terms the para-

mount position which Japan at this moment occupies, and must henceforth occupy in Korea, and her right to take any measures which she may find necessary for the protection of her political, military, and economic interests in that country. It is, however, expressly provided that such measures must not be contrary to the principle of equal opportunities for the commerce and industry of other nations. The new Treaty no doubt differs at this point conspicuously from that of 1902. It has, however, become evident that Korea, owing to its close proximity to the Japanese Empire, and its inability to stand alone, must fall under the control and tutelage of Japan.

His Majesty's Government observe with satisfaction that this point was readily conceded by Russia in the Treaty of Peace recently concluded with Japan, and they have every reason to believe that similar views are held by other Powers with regard to the relations which should subsist between Japan and Korea.

His Majesty's Government venture to anticipate that the alliance thus concluded, designed as it is with objects which are purely peaceful, and for the protection of rights and interests, the validity of which cannot be contested, will be regarded with approval by the Government to which you are accredited. They are justified in believing that its conclusion may not have been without effect in facilitating the settlement by which the war has been so happily brought to an end, and they earnestly trust that it may, for many years to come, be instrumental in securing the peace of the world in those regions which come within its scope.
—I am, etc., (Signed) LANSDOWNE.

APPENDIX IV

THE JAPAN-KOREAN AGREEMENT

THE Governments of Japan and Korea, desiring to strengthen the principle of solidarity which unites the two Empires, have with that object in view agreed upon and concluded the following stipulations, to serve until the moment arrives when it is recognised that Korea has attained national strength :—

ARTICLE I

The Government of Japan, through the Department of Foreign Affairs in Tokyo, will hereafter have control and direction of the external relations and affairs of Korea, and the Diplomatic and Consular Representatives of Japan will have the charge of the subjects and interests of Korea in foreign countries.

Article II

The Government of Japan undertake to see to the execution of the treaties actually existing between Korea and other Powers, and the Government of Korea engage not to conclude hereafter any act or engagement having an international character except through the medium of the Government of Japan.

Article III

The Government of Japan shall be represented at the Court of His Majesty the Emperor of Korea by a Resident-General, who shall reside at Seoul, primarily for the purpose of taking charge of and directing the matters relating to diplomatic affairs. He shall have the right of private and personal audience of His Majesty the Emperor of Korea. The Japan Government shall have the right to station Residents at the several open ports and such other places in Korea as they may deem necessary.

Such Residents shall, under the direction of the Resident-General, exercise the powers and functions hitherto appertaining to Japanese Consuls in Korea, and shall perform such duties as may be necessary in order to carry into full effect the provisions of this agreement.

Article IV

The stipulations of all treaties and agreements existing between Japan and Korea, not inconsistent with the provisions of this agreement, shall continue in force.

Article V

The Government of Japan undertake to maintain the welfare and dignity of the Imperial House of Korea.

In faith whereof the undersigned, duly authorised by their Governments, have signed this agreement and affixed their seals.

(Signed) Hayashi Gonsuke, H.I.J.M.'s Envoy Extraordinary and Minister Plenipotentiary.

(Signed) Pak Che Soon, H.I.K.M.'s Minister for Foreign Affairs.

17th November 1905.

APPENDIX V

THE NEW CHINA-JAPAN TREATY AND ADDITIONAL AGREEMENT

JAPANESE OFFICIAL TRANSLATION

THE full text of the new Treaty and Supplementary Agreement was published by the Tokyo Foreign Office on the afternoon of the 10th of February 1906 as follows:—

His Majesty the Emperor of Japan and His Majesty the Emperor of China, desiring to adjust certain matters of common concern growing out of the Treaty of Peace between Japan and Russia of 5th September 1905, have resolved to conclude a Treaty with that object in view, and have for that purpose named their Plenipotentiaries, that is to say:

His Majesty the Emperor of Japan:—

Baron Komura Jutaro, Jusammi, Grand Cordon of the Imperial Order of the Rising Sun, Minister for Foreign Affairs, and Special Ambassador of His Majesty, and

Uchida Yasuya, Jushii, Second Class of the Imperial Order of the Rising Sun, His Majesty's Envoy Extraordinary and Minister Plenipotentiary;

and His Majesty the Emperor of China:—

Prince Ching, Presiding Minister for Foreign Affairs, Councillor of State and Plenipotentiary of His Majesty,

Chu Hung-chi, Minister of Foreign Affairs, Councillor of State and Plenipotentiary of His Majesty, and

Yüan Shih-kai, Viceroy of the Province of Chihli, Junior Guardian of the Heir Apparent, Minister Superintendent of Trade for the Northern Ports and Plenipotentiary of His Majesty;

Who, after having exchanged their full powers, which were found to be in good and due form, have agreed upon and concluded the following Articles:—

ARTICLE I

The Imperial Chinese Government consent to all the transfers and assignments made by Russia to Japan by Articles V. and VI. of the Treaty of Peace above mentioned.

ARTICLE II

The Imperial Japanese Government engage that, in regard to the leased territory as well as in the matter of railway construction

and exploitation, they will, as far as circumstances permit, conform to the original agreements concluded between China and Russia. In case any question arises in the future on these subjects the Japanese Government will decide it in consultation with the Chinese Government.

ARTICLE III

The present Treaty shall come into full force from the date of signature. It shall be ratified by Their Majesties the Emperor of Japan and the Emperor of China, and the ratifications shall be exchanged at Peking as soon as possible, and not later than two months from the present date.

In witness whereof, the respective Plenipotentiaries have signed this Treaty in duplicate in the Japanese and Chinese languages, and have thereto affixed their seals.

Done at Peking, this twenty-second day of the twelfth month of the thirty-eighth year of Meiji, corresponding to the twenty-sixth day of the eleventh moon of the thirty-first year of Kuang Hsü.

(Signed) BARON KOMURA JUTARO (L.S.), Jusammi, Grand Cordon of the Imperial Order of the Rising Sun, Minister for Foreign Affairs and Special Ambassador of His Majesty the Emperor of Japan.

(Signed) UCHIDA YASUYA (L. S.), Jushii, Second Class of the Imperial Order of the Rising Sun, Envoy Extraordinary and Minister Plenipotentiary of His Majesty the Emperor of Japan.

(Signed) PRINCE CHING (L. S.), Presiding Minister for Foreign Affairs, Councillor of State and Plenipotentiary of His Majesty the Emperor of China.

(Signed) CHU HUNG-CHI (L. S.), Minister for Foreign Affairs, Councillor of State and Plenipotentiary of His Majesty the Emperor of China.

(Signed) YÜAN SHIH-KAI (L. S.), Viceroy of the Province of Chihli, Junior Guardian of the Heir Apparent, Minister Superintendent of Trade for the Northern Ports, and Plenipotentiary of His Majesty the Emperor of China.

ADDITIONAL AGREEMENT

The Governments of Japan and China, with a view to regulate, for their guidance, certain questions in which they are both interested in Manchuria, in addition to those provided for in the Treaty signed this day, have agreed as follows:—

ARTICLE I

The Imperial Chinese Government agree that, as soon as possible after the evacuation of Manchuria by the Japanese and Russian forces, the following cities and towns in Manchuria will be opened by China herself as places of international residence and trade:—

In the Province of Shingking—Fenghuangch'êng, Liaoyang, Hsinmingtun, Tiehling, Tungkiangtzu, and Fakumen.

In the Province of Kirin—Changchun (Kuan-ch'êng-tzu), Kirin, Harbin, Ninguta, Hunchun, and Sanhsing.

In the Province of Heilungking—Tsitsihar, Hailar, Aihun, and Manchuli.

ARTICLE II

In view of the earnest desire expressed by the Imperial Chinese Government to have the Japanese and Russian troops and railway guards in Manchuria withdrawn as soon as possible, and in order to meet this desire, the Imperial Japanese Government, in the event of Russia agreeing to the withdrawal of her railway guards, or in case other proper measures are agreed to between China and Russia, consent to take similar steps accordingly. When tranquillity shall have been established in Manchuria, and China shall have become herself capable of affording protection to the lives and property of foreigners, Japan will withdraw her railway guards simultaneously with Russia.

ARTICLE III

The Imperial Japanese Government, immediately upon the withdrawal of their troops from any regions in Manchuria, shall notify the Imperial Chinese Government of the regions thus evacuated, and even within the period stipulated for the withdrawal of troops in the Additional Articles of the Treaty of Peace between Japan and Russia, the Chinese Government may send necessary troops to the evacuated regions of which they have been already notified, as above mentioned, for the purpose of maintaining order and tranquillity in those regions. If, in the regions from which Japanese troops have not yet been withdrawn, any villages are disturbed by native bandits, the Chinese local

authorities may also despatch a suitable military force for the purpose of capturing or dispersing those bandits. Such troops, however, shall not proceed within twenty Chinese li from the boundary of the territory where Japanese troops are stationed.

ARTICLE IV

The Imperial Government of Japan engage that Chinese public and private property in Manchuria, which they have occupied or expropriated on account of military necessity, shall be restored at the time the Japanese troops are withdrawn from Manchuria, and that such property as is no longer required for military purposes shall be restored even before such withdrawal.

ARTICLE V

The Imperial Chinese Government engage to take all necessary measures to protect fully and completely the grounds in Manchuria in which the tombs and monuments of the Japanese officers and soldiers who were killed in war are located.

ARTICLE VI

The Imperial Chinese Government agree that Japan has the right to maintain and work the military railway line constructed between Antung and Moukden, and to improve the said line so as to make it fit for the conveyance of commercial and industrial goods of all nations. The term for which such right is conceded is fifteen years from the date of the completion of the improvements above provided for; the work of such improvements to be completed within two years, exclusive of a period of twelve months, during which it will have to be delayed owing to the necessity of using the existing line for the withdrawal of troops. The term of the concession above mentioned is therefore to expire in the forty-ninth year of Kuang Hsü. At the expiration of that term the said railway shall be sold to China at a price to be determined by appraisement of all its properties by a foreign expert, who will be selected by both parties. The conveyance by the railway of the troops and munitions of war of the Chinese Government prior to such sale shall be dealt with in accordance with the regulations of the Eastern Chinese Railway. Regarding the manner in which the improvements of the railway are to be effected, it is agreed that the person undertaking the work on behalf of Japan shall consult with the Commissioner despatched for the purpose by China. The Chinese Government will also appoint a Commissioner to look after the business relating to the railway, as is provided in the Agreement relating to the

Eastern Chinese Railway. It is further agreed that detailed regulations shall be concluded regarding the tariffs for the carriage by the railway of the public and private goods of China.

ARTICLE VII

The Governments of Japan and China, with a view to promote and facilitate intercourse and traffic, will conclude as soon as possible a separate convention for the regulation of connecting services between the railway lines in South Manchuria and all the other railway lines in China.

ARTICLE VIII

The Imperial Chinese Government engage that all materials required for the railways in South Manchuria shall be exempt from all duties, taxes, and likin.

ARTICLE IX

The methods of laying out the Japanese Settlement at Yingkou in the Province of Shingking, which has already been opened to trade, and at Antung and Moukden in the same Province, which are still unopened, although stipulated to be opened, shall be separately arranged and determined by officials of Japan and China.

ARTICLE X

The Imperial Chinese Government agree that a joint-stock company of forestry, composed of Japanese and Chinese capitalists, shall be organised for the exploitation of the forests in the regions on the right bank of the River Yalu, and that a detailed agreement shall be concluded, in which the area and term of the concession, as well as the organisation of the company, and all regulations concerning the joint work of exploitation shall be provided for. The Japanese and Chinese shareholders shall share equally in the profits of the undertaking.

ARTICLE XI

The Governments of Japan and China engage that in all that relates to frontier trade between Manchuria and Korea the most favoured nation treatment shall be reciprocally extended.

ARTICLE XII

The Governments of Japan and China engage that in all matters dealt with in the Treaty signed this day, or in the present Agreement, the most favourable treatment shall be reciprocally extended.

The present Agreement shall take effect from the date of signature. When the Treaty signed this day is ratified, this Agreement shall also be considered as approved.

In witness whereof, the undersigned, duly authorised by their respective Governments, have signed the present Agreement in duplicate in the Japanese and Chinese languages, and have thereto affixed their seals.

Done at Peking, this twenty-second day of the twelfth month of the thirty-eighth year of Meiji, corresponding to the twenty-sixth day of the eleventh moon of the thirty-first year of Kuang Hsü.

(Signed) BARON KOMURA JUTARO (L. S.), Jusammi, Grand Cordon of the Imperial Order of the Rising Sun, Minister for Foreign Affairs and Special Ambassador of His Majesty the Emperor of Japan.

(Signed) UCHIDA YASUYA (L. S.), Jushii, Second Class of the Imperial Order of the Rising Sun, Envoy Extraordinary and Minister Plenipotentiary of His Majesty the Emperor of Japan.

(Signed) PRINCE CHING (L. S.), Presiding Minister for Foreign Affairs, Councillor of State and Plenipotentiary of His Majesty the Emperor of China.

(Signed) CHU HUNG-CHI (L. S.), Minister for Foreign Affairs, Councillor of State and Plenipotentiary of His Majesty the Emperor of China.

(Signed) YÜAN SHIH-KAI (L. S.), Viceroy of the Province of Chihli, Junior Guardian of the Heir Apparent, Minister Superintendent of Trade for the Northern Ports, and Plenipotentiary of His Majesty the Emperor of China.

THE CHINA-JAPAN TREATY

"ALLEGED SECRET AGREEMENT"

THERE has been a widespread belief that, in addition to the clauses of the above Treaty between Japan and China, there existed a secret agreement between the two Powers. It was, indeed, reported that Baron Komura, addressing his countrymen

at a reception given in his honour at Tientsin, made a statement to the effect that there was such a secret agreement. Naturally these rumours have created intense curiosity on every hand, and the information gleaned by the Tokyo correspondent of the *Asahi* to some extent substantiates the rumour, though at the same time belittling its importance.

According to the journal above referred to, when the documents relating to the recent negotiations at Peking were delivered by Baron Komura to the new Minister for Foreign Affairs, Mr. Kato, the latter demanded that the secret agreement, if annexed to the Treaty, should be shown him, so that there should be nothing concealed that had reference to the relations between the two Powers.

It now transpires that the "secret agreement" consists of about half a dozen chapters of records of the proceedings at Peking between Baron Kómura and the Chinese Plenipotentiaries, containing various agreements between the two Governments. These records, it is stated, will not be published, but the *Asahi's* correspondent indicates their purport.

The first provides that the proposed railway between Moukden and Simminting shall be constructed by the Chinese Government with capital provided by the Japanese Government.

The second contains an undertaking by China not to construct a railway line to the north of Changchun, to compete against the Chinese Eastern Railway, nor to allow any foreign Power to construct such a line.

The third provides that the railway between Kirin and Changchun shall be exclusively and jointly constructed by Japan and China, no other authorities to be allowed to construct such a line under any circumstances.

The fourth binds the Chinese Government not to construct a line in competition with that mentioned above between Kirin and Changchun, nor to allow any other authority to do so.

It is believed in some quarters, says the correspondent, that Mr. Kato will publish this "secret agreement." Baron Komura handed his successor no further documents bearing upon the new Treaty, nor has he made any verbal reference to a secret agreement. The *Asahi's* correspondent finally states that it may safely be said that no such secret understanding, in the proper sense of the word, exists between the two Powers.

APPENDIX

JAPANESE

TABLE SHOWING THE AMOUNTS OF VARIOUS

Kind of Loan.	1892	1893	1894	1895	1896
	Yen.	Yen.	Yen.	Yen.	Yen.
Internal Loan:—					
Old Public Loan (without interest)	6,583,635	6,364,181	6,144,726	5,925,272	5,705,817
New Public Loan (4%)	10,535,925	10,525,925	8,530,375	7,831,100	4,173,200
"Kinsatsu" Exchange Loan (6%)	3,960,700	..	..	..	..
Loan for the Suppression of the South-Western Rebellion (7½%)	10,000,000	10,000,000	10,000,000	10,000,000	8,000,000
Loan for the Redemption of Paper Money (without interest)	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
Hereditary Pension Bonds (5%)	30,750,020	30,740,020	30,730,020	30,397,120	30,211,180
Do. do. do. (6%)	24,083,105	8,328,530	..	..	..
Industrial Works Loan (6%)	10,680,200	..	..	..	..
Unregistered "Kinsatsu" Exchange Loan (6%)	7,889,900	1,955,800	..	..	..
Nakasendo Railway Loan (7%)	12,925,700	..	..	..	..
Navy Loan (5%)	16,990,000	16,980,000	16,970,000	16,960,000	16,950,000
Consolidated Public Loan (5%)	107,544,200	148,494,550	166,482,450	166,482,450	168,472,450
Supplementary Railway Loan (5%)	2,000,000	2,000,000	2,000,000	..	..
Imperial Japanese Government 5% Loan. Railway Loan	..	..	1,000,000	4,000,000	6,000,000
Imperial Japanese Government 5% Loan. Public Works Loan	..	..	..	..	..
Imperial Japanese Government 5% Loan. Hokkaido Railway Loan	..	..	..	..	..
War Loan (5%)	..	..	..	30,101,230	109,044,000
Formosan Public Works Loan (5%)	..	..	..	..	..
Exchequer Bonds (5%)	..	..	..	..	..
Do. do. (6%)	..	..	..	..	..
Exchequer Bonds issued under Tobacco Monopoly Law (5%)	..	..	..	..	..
Total	266,043,385	257,389,006	263,857,571	293,697,172	370,556,58
Foreign Loan:—					
7% Foreign Loan	4,488,624	3,748,816	2,957,280	2,110,112	1,203,4
Imperial Japanese Government 4% sterling Loan. Railway Loan	..	..	..	..	..
Imperial Japanese Government 4% sterling Loan. Public Works Loan	..	..	..	..	..
Imperial Japanese Government 4% sterling Loan. Hokkaido Railway Loan	..	..	..	..	..
6% sterling Loan	..	..	..	..	..
4½% sterling Loan	..	..	..	..	..
Total	4,488,624	3,748,816	2,957,280	2,110,112	1,203,4
Grand Total	270,532,009	261,137,822	266,814,851	295,807,284	371,759,9

AUTHOR'S NOTE.—To the grand total, Yen 1,699,353,174 (say £170,000,000 st no mention can yet be made of loans which must be presently issued. The Railway National scheme, £10,000,000; and military rewards and pensions nearly £20,000,000. Japan's nati or £6, per head of population.

VI

NATIONAL DEBT

National Loans Outstanding, 31st March 1906

1897	1898	1899	1900	1901	1902	1903	1904	1905 (End of Nov.)
Yen.	Yen.	Yen.	Yen.	Yen.	Yen.	Yen.	Yen.	Yen.
5,486,363	5,266,908	5,047,454	4,827,999	4,608,545	4,389,090	4,169,636	3,950,181	3,730,727
..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..
4,000,000	..	..	..	..	..	..	..	..
22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
29,823,320	29,453,820	26,046,920	25,428,650	25,428,650	25,428,650	19,630,475	16,631,640	16,631,640
..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..
15,006,000	9,288,600	9,222,600	8,796,600	8,796,600	8,796,600	8,297,300	8,297,300	8,297,300
172,061,700	173,857,250	169,293,050	168,693,600	168,693,600	168,693,600	167,128,350	167,128,350	167,128,350
..	..	..	..	..	..	..	..	..
10,000,000	17,907,350	17,907,350	16,464,950	16,464,950	27,706,300	37,248,900	37,248,900	39,549,100
3,000,000	37,900,000	37,900,000	41,129,050	44,629,050	45,654,450	60,134,600	65,134,600	66,183,250
..	1,000,000	1,000,000	1,419,950	1,419,950	1,912,000	3,592,500	3,592,500	3,592,500
121,724,000	124,572,000	124,835,750	116,576,450	116,581,450	116,581,450	115,641,150	115,641,150	115,641,150
..	..	..	..	2,211,400	5,434,000	16,707,900	23,707,900	34,122,885
..	..	..	..	..	..	..	607,230	254,530,962
..	..	..	..	..	..	..	..	176,794,435
..	..	..	..	..	..	..	..	12,307,600
383,101,383	421,245,928	413,253,124	405,337,249	410,834,195	426,596,140	454,550,811	463,939,751	920,509,899
233,752	..	..	..	..	..	..	..	..
..	..	..	17,577,750	17,577,750	17,577,750	17,577,750	17,577,750	17,577,750
..	..	..	78,052,250	78,052,250	78,052,250	78,052,250	78,052,250	78,052,250
..	..	..	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
..	..	..	..	..	..	..	..	214,786,600
..	..	..	..	..	..	..	..	166,427,275
233,752	..	..	97,630,000	97,630,000	97,630,000	97,630,000	97,630,000	778,843,275
383,335,135	421,245,928	413,253,124	502,967,249	508,464,115	524,226,140	552,180,811	561,569,751	1,699,353,174

must be added £25,000,000 sterling—being the recent 4% loan. In the list of outstanding debts tion scheme will require £50,000,000 sterling; the Manchurian-Korean-Saghalien development indebtedness will therefore, shortly, approximate at least £280,000,000 sterling, or nearly 60 yen,

APPENDIX VII

THE COST OF THE WAR TO JAPAN

THESE figures bring the account down to the end of March 1906, by which time all the troops had been repatriated with the exception of four divisions, two in Manchuria and two in Korea. There are two sets of figures: the one showing the outlays sanctioned by the Sovereign on the eve of their being incurred; the other, the outlays actually incurred.

OUTLAYS SANCTIONED ON THE EVE OF BEING INCURRED

	Army.	Navy.	Totals.
Up to end of—	Yen.	Yen.	Yen.
Sept. 1905 .	992,742,395	180,816,195	1,173,558,590
Oct. 1905 .	...	260,980	260,980
Nov. 1905 .	39,182,983	11,758,813	50,941,796
Dec. 1905 .	64,187,195	7,022,473	71,209,668
Jan. 1906 .	...	...	...
Feb. 1906 .	...	...	...
Mar. 1906 .	...	22,624,339	22,624,339
Totals .	1,096,112,573	222,482,800	1,318,595,374

OUTLAYS ACTUALLY INCURRED

	Army.	Navy.	Totals.
Up to Sept. 1905 .	Yen. 926,676,476	Yen. 153,774,640	Yen. 1,080,451,116
Oct. 1905 .	39,814,739	8,064,487	47,879,226
Nov. 1905 .	24,308,143	6,299,294	30,607,437
Dec. 1905 .	37,490,527	6,960,074	44,450,601
Jan. 1906 .	11,134,902	4,294,459	15,429,361
Feb. 1906 .	11,035,696	4,768,400	15,804,096
Mar. 1906 .	19,679,526	6,860,514	26,540,040
Totals .	1,070,140,009	191,021,868	1,261,161,877

Finally, we have a statement of the sources from which revenue was obtained to meet the above outlays:—

Revenue to meet War Outlays

	Yen.
Loans and Treasury Bills	1,127,634,199
From the General Revenue (War Taxes)	182,430,129
The Three Capital Funds (Navy, Education, and Famine Relief)	69,311,977
Voluntary Contributions	2,279,899
Sale of State Properties	5,126,436
Transportation Earnings	1,335,523
Special Revenue	772,933
Miscellaneous Revenue	3,364,456
Total	1,392,255,552

To this account have to be added the following items:—

	Yen.
Treasury Bills issued at the end of March 1906	95,000,000
Borrowed from the Bank of Japan	77,500,000
War Notes issued	42,365,343
Total	214,865,343

And to this account must be added the sum of Yen 150,000,000 as military rewards.

The approximate total is therefore Yen 1,625,000,000, or say £165,000,000 sterling.[1]

[1] In this calculation it should be understood that only the actual cost of fighting Russia during a period of twenty months is dealt with. When all contingent and subsequent expenses are added, the grand total will not fall far short of the cost of the South African war to England, *i.e.* say £250,000,000.

APPENDIX VIII

THE JAPANESE NAVY AND THE NAVIES OF THE GREAT POWERS

EFFECTIVE FIGHTING SHIPS, BUILT AND BUILDING

Class.	Great Britain.			Germany.			U.S.A.			France.			Japan.			Russia.		
	Built.	Building.	Total.	Built.	Building.	Total.	Built.	Building.	Total.	Built.	Building.	Total.	Built.	Building.	Total.	Built.	Building.	Total.
Battleships:																		
1st class .	45	6	51	18	6	24	15	12	27	11	6	17	10[1]	2	12	4	4	8
2nd class .	11	...	11	...	...	...	...	...	...	10	...	10	1	...	1	7	...	7
3rd class .	4	...	4	14	...	13	11	...	11	9	...	9	3	...	3	...	...	...
	60	6	66	31	6	37	26	12	31	30	6	36	14	2	16	11	4	15
Cruisers:																		
1st class .	38	10	48	6	2	8	7	8	15	10	5	15	9[2]	4	13	2	2	4
2nd class .	33	...	33	6	...	6	3	...	3	14	...	14	4	...	4	8	...	8
3rd class .	54	...	54	18	6	24	11	3	14	23	...	23	13	...	13	2	...	2
	125	10	135	30	8	38	21	11	32	47	5	52	26	4	30	12	2	14

[1] Excludes *Mikasa*, and includes *Iwami* (ex *Orel*), *Hizen* (ex *Retvisan*), *Sagami* (ex *Peresviet*), *Suwo* (ex *Pobieda*), and *Tanga* (ex *Poltava*).
[2] Includes *Aso* (ex *Bayan*).

AUTHOR'S NOTE.—Although the Japanese navy will only have twelve first-class battleships by next year (1907), the type of the two new vessels now being completed in Japan must be taken into consideration. These sister-ships, the *Satsuma* and the *Aki*, will be the most powerful vessels in the world, displacing about 19,500 tons each. They will thus be 1500 tons more in displacement than the *Dreadnought*. With the four powerful new armoured cruisers now being completed (the *Tsukuba* and the *Ikoma*, both of 13,700 tons, and the *Kurama* and the *Iki*, both of 14,500 tons), Japan will possess a fleet which could only be challenged in Eastern waters by one Power—England.

PART II

APPENDIX I

THE FOREIGN TRADE OF CHINA IN 1905

NOTE

The Haikwan tael (Customs tael), in which the Chinese Customs Revenue and all values are stated, is equivalent—

In English money,	to		3s. $0\frac{1}{16}$d.,
,, American ,,	,, gold		$0.73,
,, French ,,	,, francs		3.78,
,, German ,,	,, marks		3.07,
,, Indian ,,	,, rupees		2.25,
,, Japanese ,,	,, yen		1.47,
,, Mexican dollars,	,,		$1.55,

at the average sight exchange on London, New York, Paris, Berlin, Calcutta, Japan, and Hong-Kong respectively for 1905.

TABLE OF CHINESE WEIGHTS

1 Tael (*Liang*) = 583.3 grains ($1\frac{1}{3}$ oz. avoirdupois).
= 37.783 grammes.
16 Taels = 1 Catty (*Chin*) = $1\frac{1}{3}$ lb avoirdupois.
= 604.53 grammes.
100 Catties = 1 Picul (*Tan*) = $133\frac{1}{3}$ lb avoirdupois.
= 60.453 kilogrammes.

1. GENERAL.—The most important of the conditions affecting the trade of the year were the inclement weather in the spring and floods in the summer, the course taken by the war and its termination, and the boycott against American goods. The effect of the weather, combined with adverse exchange, is seen in the diminished export of China's main staples, notably of silk, tea, and cotton, by which the absorptive power of the people, especially in the central provinces, fell below the demand which had been confidently expected. The field of warlike operations receded to the north during the spring, thereby depriving one of

the two belligerents of his power of drawing supplies from neutral territory, while the other drew mainly from his own nearer base; and the hopes of a revival of open trade on the establishment of peace were frustrated by the continued demands for transport by the military forces occupying the southern, the more fertile and more densely populated, part of Manchuria, and by the disturbed condition of those parts not in the immediate occupation of the troops. The year 1904 closed with general anticipation of brilliant trade prospects for the coming year, and, with a market depleted of stocks of cotton goods, orders were placed for supplies sufficient to meet the most sanguine expectation. It is doubtful, however, if the actual consumption by the people, except only in the North, has been much, if any, above the normal, and the excess of imports over the average of the last few years is probably, much of it, still in the hands of indenters and wholesale dealers. This is borne out by the known facts. At Shanghai the average net import of foreign goods (the amount by which the gross import exceeded the "take off" within the year for distribution through other ports) for the five years 1900-4 was Hk.tls. 43,656,252, while the net import of 1905, Hk.tls. 92,207,173, was more than double this sum; at Newchwang, in the same five years (1900, though disturbed by the Boxer movement, was well up to the years prior to 1899), the net import of foreign goods was Hk.tls. 16,507,301, and here again the net import of 1905, Hk.tls. 31,003,143, was double this average. From both Shanghai and Newchwang we are told that the year closed with warehouses filled to overflowing with imports awaiting a market, and the excess over the average at these two ports, Hk.tls. 63,046,763, may be taken as a minimum estimate of the import during 1905 in anticipation of 1906 consumption.

Into the causes which led to the boycott against American goods it is not my province to inquire. The movement, instituted by the Bureaux of Commerce at the several ports, was supported but lukewarmly by the merchants' Guilds, but, being supported, produced the immediate effect which might have been anticipated when Chinese enter into combination, whether voluntarily or under pressure. The boycott, however, overran itself, and was converted into a national movement through the agitation of hot-heads who have acquired a smattering of modern learning uncorrected by the sobriety which comes from further study, and the flame, fanned by harangues, editorials, placards, cartoons, and all the machinery of an appeal to the passions, spread to the lowest stratum of society. The result was not what was expected. While the importing merchants at Shanghai and other large

centres might be able to distinguish American from other products, the same discrimination could not be expected from the retail dealer and the consumer, and the restrictive influence on purchases was felt generally wherever the boycott was effective. This extension of the movement reacted on the importing merchants, who had contracted for future deliveries as far ahead as the summer of 1906, and who, as their commercial credit was of more value to them than any altruistic movement for the national benefit, had taken due delivery of stocks which, if the boycott were to be effective, would be left on their hands and not on the hands of the American firms with whom they had contracted. There has been a considerable dislocation of trade, which appears, from reports received, to have been more marked in the minor distributing centres, and from time to time there is still a recrudescence of the agitation in one place or another. Much suspicion has been created, and much hostility engendered; but the general verdict is that not much injury has yet been caused to the American manufacturer and the American merchant, and another proof has been given of the solidarity of international trade, and that injury to the trade of one nation or of one commercial body is certain to react on others in relations with them. The final effect of the boycott, however, cannot yet be seen, and the verdict must await the close of another year, or even later. The only immediate visible consequence of the climatic, war, and boycott conditions of the year, all combined, is that a larger proportion of imports than usual is left in first hands.

Fluctuations in exchange continued their erratic course, more confusing even than in 1904. Every calculation of the merchant has been upset. The importer who between February and July settled his exchange for supplies which he continued to hold, found himself competing with holders of supplies with exchange settled at much more favourable rates in the latter part of the year; while exporters who had held off early in the year found exchange becoming more and more adverse as the months went by. No prescience could have enabled merchants to insure against these fluctuations, accustomed as they are, and as Western merchants are not, to make them their study second only to the other conditions affecting their trade. Every one confidently expected that the conclusion of peace would send silver down to its *ante-bellum* level; but these expectations were disappointed, and, for reasons considered in a later section, its value went ever up, to rates higher even than during the war. No interest appears to be taken, however, in the stabilisation of exchange, and the trade of China will be left to bear the burden of these fluctuations.

The tables show that the trade of Newchwang increased over

20 million taels, entirely in imports, native and foreign, the export trade remaining stationary. This statement presents a false picture; it shows the possibilities, but not the facts, of the trade of the year. With much misery and suffering, much death and disease, much loss from ruined homes and despoiled crops, during the Russian advance, their subsequent retreat, and the Japanese advance ensuing thereon, the people of Southern Manchuria have still found some compensations. For two years they have been freed from the expense of a civil government; they have had magnificent harvests in two successive years, and though much was undoubtedly destroyed, much also was saved, by burying and by other means; and they have had passing through their hands the millions disbursed by the two belligerent forces for sustenance, for protection from the winter cold, and for labour. To fully understand the situation, reference must be made to the Newchwang Commissioner's Report on his district; it will suffice here to say that, owing to military requirements and military impediments, transport was wanting to move any but moderate quantities of goods, and that the produce available for export remained up country, while the imports remained stored in the warehouses of Newchwang. The Chihli ports show a considerable increase of 39 million taels, also entirely in imports, in addition to Hk.tls. 28,517,456 imported net in treasure, the export of Chinese produce showing no development; of this large import trade more than the former proportion found its way to South-Western Manchuria through Sinmintun. Shantung ports show an increase of 8 million taels, almost entirely in imports; Chefoo and Kiaochow maintained about the same relative position, with some gain to Kiaochow, but it is probable that some portion of imports at Chefoo was shipped across the Gulf through channels not declared to the Customs, and that its net import should be by so much reduced. We have thus the three northern provinces with the following comparative figures :—

	1904. Hk. tls.	1905. Hk. tls.
Net Foreign and Native Imports .	124,461,521	192,642,035
Exports	49,302,692	48,981,685
Total . . .	173,764,213	240,623,720

Szechuan, except for increased shipments of opium, would show a general falling off, owing to disastrous floods in August and to banking difficulties. In Hunan, while the trade of Yochow has fallen to less than half a million taels, Changsha raises the total for the province by a small amount. At Hankow the history of the northern ports is repeated: imports increased

considerably in value, while exports were less. Copper imported for minting purposes accounted for more than the net increase in imports, while the power of absorption of foreign goods in general in the Upper Yangtze area was rather diminished. Among exports, beans and beancake continued to find the market in Japan from which Manchuria was still shut out; raw cotton, rice, and tea were exported in diminished quantities, while oil seeds and wheat increased; and pig-iron shipments were doubled, the Hanyang Ironworks having supplied over 30,000 tons for export. In the Lower Yangtze ports another note is struck, in an increase in both imports and exports, the value of rice shipped from Wuhu being Hk.tls. 19,313,942. For the Yangtze ports, from Chungking to Chinkiang, we have the following comparative figures:—

	1904. Hk.tls.	1905. Hk.tls.
Net foreign and native imports .	120,247,813	129,407,753
Exports	115,223,387	118,104,228
Total .	235,471,200	247,511,981

It will thus be seen that the Yangtze basin, as a whole, just maintained its position in both imports and exports.

Shanghai stands in a peculiar position. It supplies a large area, in so far as can be shown by our statistics, trenching upon all the neighbouring customs districts, to which goods are sent and from which they are brought through channels not under our cognizance, and in this way it shows a local trade considerably exceeding that of any other port; at the same time it must be remembered that it is chiefly important as a primary distributing centre, and that, in our statistics, "net import" means the excess, within the year, of import over re-export to other distributing centres. While the net foreign import at Shanghai was doubled, increasing from Hk.tls. 45,288,100 to Hk.tls. 92,207,173, much, if not all, of the increase represents goods which at the end of the year were still stored in warehouse, unsold or undelivered; and it is possible, though not probable, that the statistics of this important mart for 1906 may show a net import of foreign goods reduced to insignificant proportions. During the year the net import and the export of Chinese produce were much reduced. The other central ports (Soochow and the ports in Chehkiang) show together small variations in the trade.

The Fuhkien ports show a small collective increase in both imports and exports; but while Santuao shipments of tea are maintained, those originating in Foochow are reduced in quantity.

Kuangtung ports (including Wuchow) are generally less in recorded value, the reduction being, except at Kiungchow, principally in exports; for these ports, from Swatow to Pakhoi, the comparative values are as follows:—

	1904. Hk.tls.	1905. Hk.tls.
Net foreign and native imports .	144,068,047	142,981,877
Exports	89,889,030	86,210,421
Total .	233,957,077	228,292,298

The frontier ports show a marked reduction entirely in the value of imports, ascribed to the difficulty of procuring pack-animals for transport.

In general, it is to be observed that the North has shown great power and possibility of absorption of foreign goods, while the consumption in the Yangtze basin and the South has not increased; and that exports have generally shown no great development. It is also to be noted that the Yangtze basin provides exports sufficient in value to pay for the imports it consumes, and that both North and South have consumed more than they have produced; but during the past year the North has been fed by the war, while the South constantly supplies a considerable export of emigrant labour.

In material development China continues to make progress, though with faltering steps. The Pekin-Hankow railway is open for through traffic; but work on its prolongation, the Canton-Hankow line, was deferred until it should be settled who was to construct it and with what funds, and is only now—March 1906—being resumed under Chinese auspices and with Chinese capital. Work on the Shanghai-Nanking line is begun, and it is expected that Shanghai and Soochow will be connected within the coming year. The Tonkin-Yunnan line is under way, but the malarial condition of the country delays its progress. There is much prospecting for mines, but those opened within the past few years are to be found mainly in those provinces which have been under foreign domination. The telegraph service of the Empire on the 31st December 1905 worked with 346 stations, 21,379 miles length of line open, and 34,641 miles length of wire.

2. Revenue.—The collection of the year was Hk.tls. 35,111,005, an increase of Hk.tls. 3,617,849, or 11½ per cent. Considered in its relation to China's foreign indebtedness, the collection in 1904, at the average exchange of that year, realised £4,514,019, and £5,281,280 in 1905, at the average exchange of 1905, the fortuitous gain to the Chinese exchequer being thus

17 per cent, and the drain on the Imperial resources being reduced to this extent. The increase is almost entirely provided by import duty, which was greater by Hk.tls. 3,162,779, or 30 per cent; the explanation of this increase has been given elsewhere, and it should probably be held that much of it is anticipation of 1906 revenue. Export duty was practically unaltered, while coast trade duty was more by Hk.tls. 173,872, indicating a diminished foreign trade and increased shipments coastwise. The revenue (duty and likin) from opium was Hk.tls. 6,857,243, a reduction of Hk.tls. 88,476; to this revenue foreign opium contributed Hk.tls. 5,711,711, less by Hk.tls. 313,410, and native opium contributed Hk.tls. 1,145,532, more by Hk.tls. 224,934. Tonnage dues were more by 10 per cent. Inland transit dues were Hk.tls. 2,034,408, an increase of Hk.tls. 247,156, almost entirely from foreign goods inwards, and fully accounted for by development in the traffic at Tientsin alone.

In considering the geographical distribution of the revenue, it must be borne in mind that, on the import trade of the northern and Yangtze ports, the principal part of the duties is collected at Shanghai, the primary importing port, and that only that part of the import trade pays duty at the subsidiary ports which is shipped in direct steamers or is under through bill of lading, to be transhipped directly at Shanghai. Taking the consumption ("net import") of foreign goods in the Customs districts of Shanghai and of Tientsin and Chinwangtao together, it will be observed that the value of the trade in the two districts, in 1904, was in the proportion of 52 to 48, the year 1904 being taken because in 1905 so much of the net import at Shanghai was made up of stocks in the warehouses carried over to 1906; the relative proportion of import duties collected was, in 1904, as 91 to 9, and in 1905, as 86 to 14. With this proviso borne in mind, it is to be noted that Newchwang has collected a total greater than in any previous year except 1899; export duty was less than in 1904, but collection on imports, foreign and native, was more than double. The ports in Chihli are more by a half than in 1904, chiefly on the import trade, from which the collection was doubled. Shantung ports are more by a fourth, Chefoo and Kiaochow maintaining their relative position. On the Szechuan trade the collection improved by a fifth, an increase nearly measured by the larger revenue from native opium. The Hunan ports improved their collection slightly; Changsha is taking its natural position as the principal original port for exports. Hankow shows a small falling off in the total, but with collection from direct foreign imports greater by a half.

The Lower Yangtze maintains its position, Wuhu showing some increase, and Kiukiang and Chinkiang a decrease. The collection at Shanghai exceeded that of 1904 by Hk.tls. 1,756,752, being half the total increase at the thirty-six ports; the increase in general import duty was Hk.tls. 1,860,192; there was a decrease of Hk.tls. 155,475 in export duty, with smaller differences under other heads. The Chehkiang ports show decreases considerable in their proportions, generally distributed over all heads. Of Fuhkien ports, Foochow continues its downward course, with a reduced export of tea and a smaller consumption of opium; and Amoy was unchanged. Ports in Kuangtung (including Wuchow) gave a collection of Hk.tls. 6,621,871, against Hk.tls. 6,385,015 in 1904; Kowloon and Lappa show considerable increase, due to larger quantities of opium taking the junk channel; and Kiungchow shows some development in its export trade and a markedly increased consumption of opium. The frontier ports present no distinctive characteristics, except that, at Mengtsz, import duties were less and export duties more.

3. FOREIGN TRADE.—The total value of the foreign trade in 1905 was Hk.tls. 674,988,988, an increase of 16 per cent. To this total the northern, Yangtze, and central ports, from Newchwang to Wenchow, contributed 72 per cent; the southern ports, from Santuao to Pakhoi, 26½ per cent; and the frontier ports, 1½ per cent. The share of Shanghai alone, as a primary importing and ultimate exporting port, was 53 per cent of the whole trade of China, and 74 per cent of that of the district commercially subsidiary to it. The disproportion of imports to exports has gone on increasing: imports were greater than in 1904 by 30 per cent, and exports were less by 5 per cent; while imports exceeded exports by 43 per cent in 1904, and by no less than 97 per cent in 1905. This subject will be dealt with below.

A large portion of the trade of China (usually 40 per cent each of imports and exports) passes through Hong-Kong, and must be assigned in our records to that port, though it can produce or consume but little; this fact throws much obscurity over the figures of the annual value of the direct trade with each country. An attempt is made in the table subjoined below to analyse the trade of China, by abstracting from the statistics published by each foreign country the values given to that trade for the year 1903, the latest for which all the figures are available; in the values are included those for Hong-Kong and Macao, which, as regards foreign trade, are distributing centres for the trade of Southern China. The countries included contributed 98 per cent to the import, and 97 per cent to

the export trade of the year, and the field would appear to be well covered.

COMPARATIVE STATISTICS OF TRADE WITH CHINA, 1903

Country.	Imports into China as shown in Statistics.		Exports from China as shown in Statistics.	
	Of each Country.[1]	Of China.	Of each Country.[1]	Of China.
	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.
Russian Empire	17,950,000	2,355,000	45,200,000	12,777,967
Denmark[2]	161,000	...	400,000	...
Belgium	7,567,700	...	2,741,400	...
France	2,541,900	...	56,318,100	...
Switzerland[3]	2,237,100	...	3,784,500	...
German Empire	23,800,000	...	12,400,000	...
Austria-Hungary	...	...	2,072,000	...
Italy	1,422,000	...	22,471,500	...
Continent of Europe	37,729,700	22,350,983	100,187,500	34,573,445
Great Britain[4]	73,400,000	50,603,772	24,720,000	10,024,095
British America	280,000	627,472	880,000	454,356
United States of America[5]	42,956,000	25,871,278	43,764,000	19,528,116
Japan and Formosa[6]	77,310,000	46,707,404	41,500,000	30,433,435
Australia	1,420,000	372,411	4,200,000	100,391
Straits Settlements	13,800,000	3,803,322	27,730,000	3,498,435
Dutch Indies	22,876,000[7]	3,711,886	757,500	455,679
British Indies[8]	90,735,000	33,856,203	10,030,000	1,944,043
		187,904,731		101,011,995
Hong-Kong	...	136,520,453	...	89,195,605
Macao	...	2,484,993	...	4,661,254
	360,506,700	326,910,177	253,769,000	194,868,854

[*N.B.*—Values converted at average exchange for the year 1903.]

[1] Including the trade of each country with Hong-Kong and Macao.
[2] Half of amounts for "East Indies, China, etc."
[3] Amounts for "China, French Indies, etc."
[4] For year ended 31st March 1903.
[5] For year ended 30th June 1903.
[6] Deducting tea imported from Formosa and immediately re-exported from Amoy.
[7] Amount made up by value of sugar and tea shipped from Java to Hong-Kong (from Netherlands Colonial statistics) and of Sumatra kerosene imported into China (from Chinese Customs statistics).
[8] For year ended 31st March 1904.

The Russian Empire stands by itself in two respects: no appreciable part of its trade passes through Hong-Kong, and it has a large transfrontier trade of which the Chinese Customs statistics take no cognizance. Russian products shipped to China are reported as valued in Russia at 18 million taels, while

our statistics show imports from Russia of 21½ million taels; it is not probable that these goods passed through, and are recorded by us as coming from other countries, and the whole of the difference may be assigned to the transfrontier trade. Chinese produce of a value of 45 million taels is reported as entering Russia, while China reports an export of 12¾ million taels; of the latter amount, Hk.tls. 1,932,102 went by caravan route *via* Kiakhta, of which one-third was leaf tea (mainly for European Russia) and two-thirds brick tea (entirely for Asiatic Russia). I have no means of ascertaining at what point the Russian values are assigned; but if 25 per cent be added to the value assigned at Tientsin for the caravan trade, and 15 per cent to the rest, the result is under 15 million taels, and we have a sum of 30 million taels to represent the value of unrecorded transfrontier trade outward from China.

Other countries, Russia excluded, give a total value for all shipments to China (including Hong-Kong and Macao) of Hk.tls. 360,506,700; while China records a corresponding import of Hk.tls. 326,910,177. The figures for the Dutch Indies include sugar shipped from Java to Hong-Kong, of which, when refined in Hong-Kong, a considerable portion was probably reshipped elsewhere than to China, and this value would be correspondingly reduced. For British India we are able to analyse the figures to some extent:—

Commodities.	Classifier of Quantity.	Shipped from India to Hong-Kong and Chinese Ports, 1st April 1903 to 31st March 1904.		Received in China from India and Hong-Kong, 1st January to 31st December 1903.	
		Quantity.	Value.	Quantity.	Value.
			Hks.tls.		Hks.tls.
Opium . .	Piculs	63,204	39,493,000	59,364	44,516,272
Cotton Yarn, Indian . .	,,	1,769,714	41,640,000	1,890,664	45,515,363
Cotton Piece Goods, Indian	Yards	1,118,091	82,300	1,667,800	150,965
Cotton, Raw, Indian . .	Piculs	138,312	2,388,000	63,281	990,642
Gunny Bags .	No.	25,745,200	2,000,900	8,719,281	851,544
,, Cloth .	Yards	14,695,925	705,900	1,966,604	121,094
Rice . . .	Piculs	470,000	1,027,000	470,000[1]	1,027,000
Tea, Black .	,,	51,802	1,272,000	37,581	866,576
Total	Hk.tls.	...	88,609,100	...	94,039,456

[1] Indian rice not distinguishable.

In the above table we account for over 97 per cent of the total shipments from British India to Hong-Kong and Chinese treaty

ports, and find that the receipts of Indian products at Chinese treaty ports exceed the shipments from India by 6 per cent only, the periods covered being, however, not identical.

Exports from China show a total of Hk.tls. 253,769,000 according to the statistics of the several countries, against Hk.tls. 194,868,854 by our own figures; the latter sum was in 1903 based on market values, which the addition of duty and shipping charges would increase by about Hk.tls. 20,000,000, to which, again, for the customs values of most countries, must be added freight and insurance. Here, again, we are able to analyse the trade with British India, Indian receipts from China amounting to Hk.tls. 10,030,000, while declared shipments from Chinese treaty ports were valued at Hk.tls. 1,944,043. Among the Indian receipts are shown raw silk and silk piece goods valued at Hk.tls. 4,227,000, and tea valued at Hk.tls. 747,000, these two categories being pretty certainly of Chinese origin; also refined sugar valued at Hk.tls. 1,740,000, and copper ingots Hk.tls. 409,000, the bulk of the former and all the latter probably originating elsewhere than in China.

Making due allowance for the fact that Hong-Kong acts to a minor extent as a receiving and distributing centre for neighbouring ports, Kuangchowwan, Formosa, Manila, etc., and for a difference in some cases in the fiscal period and in systems of valuation, it would seem safe to say that the distribution shown in the first and third columns of figures in the table gives a fair approximation to the true division of the foreign trade of China in 1903, both direct and through Hong-Kong.

(*a*) *Imports.*—The total value of net imports was Hk.tls. 447,100,791, to which the northern, Yangtze, and central ports contributed 76 per cent; the southern ports, 22½ per cent; and the frontier ports, 1½ per cent. This total was Hk.tls. 103,040,183 more than in 1904, the increase being provided, roughly, a half by cotton manufactures, a fourth by metals, and a fourth by sundries.

Opium was imported in smaller quantities, 51,890 piculs of all kinds, the quantity being 5 per cent, and the value 8 per cent less than in 1904. Bengal opium (Benares and Patna) more than recovered the loss of 1904, being 1343 piculs more than in 1903 and 4666 piculs more than in 1904; Malwa and Persian together were 7931 piculs less than in 1903, and 7542 piculs less than in 1904. The northern ports took a slightly larger quantity, 690 against 657 piculs, mainly due to the difficulty of getting the Manchurian drug. The Yangtze ports consumed much less of the Indian drug, 7169 against 9745 piculs, the void being filled by increased use of Chinese opium. Shanghai

consumed and sent inland 14,811 piculs, against 15,203 piculs in 1904, the consumption of the Soochow district being included in these figures; while the Chehkiang ports took 4041 piculs, against 4813 piculs. Coming now to the area supplied from Hong-Kong as a distributing centre, Fuhkien took 6600 piculs, against 7273 piculs in 1904; Kuangtung ports (including Wuchow), on the other hand, show an increase, 18,609 against 17,061 piculs, increased consumption being reported from all but Swatow. The Lappa Commissioner notes, with reference to the increase (518 piculs, 40 per cent) in the quantity passing his stations, that "a significantly corresponding decrease of 838 piculs took place in the shipments from Hong-Kong to Kuangchowwan"; the Kiungchow Commissioner comments in the same sense on the increase (from 450 to 1075 piculs) in the quantity reported to his office; arrangements made for the development of the legitimate trade of this leased territory have involved greater regard being shown for the rights of the leasing Power in the adjoining territory. The reduction in the total is accounted for by diminished consumption in Central China—the Yangtze basin, with Chehkiang; and in that area the place of Indian opium is being taken by its Chinese rival. The rise in exchange reduced the cost of laying down the foreign drug, and its consumption would have been still less but for this fact and for the action of the Indian Opium Department in increasing its sales of Bengal opium and lowering the price. For Chinese opium a new generation is coming on which is not wedded to any other flavour, and which finds its flavour not unattractive, and its lower cost decidedly attractive, and it is likely to tend more and more to replace Indian opium. The Chinese Government is awake to the necessity of regulating the internal traffic in opium, and to the possibility of deriving a larger revenue from it; and since 3rd July has instituted the simultaneous levy of a collective tax on the drug coming down the Yangtze past Ichang, circulation being thereafter exempt from tax in eight provinces, to be later on extended to 15 provinces. The tax (including customs levy) now amounts to a uniform rate of Hk.tls. 118.93 a picul for junk-borne opium, while for steamer-borne opium it is Hk.tls. 124.79 for the four "inner" provinces, and Hk.tls. 104 for the four "outer" provinces. Our only satisfactory index of the internal movement of native opium is found in the statistics of the Ichang Customs, and there, including both steamer-borne and junk-borne, the quantities have during the past six years been as follows:—

1900. Piculs.	1901. Piculs.	1902. Piculs.	1903. Piculs.	1904. Piculs.	1905. Piculs.
26,443	30,555	22,098	24,888	36,856	36,311

The legitimate importation of morphia continues trifling, 54 ounces. The only comment is to be found in an incident in a village near Amoy, where a bag of American flour, imported from Hong-Kong, caused the death of over twenty people from a concealed packet of morphia which had been broken up in it.

Cotton manufactures rose to the abnormal value of Hk.tls. 181,452,953, which was 31½ per cent more than in 1904, on the inflated valuation of that year, and 30 per cent more than the highest previously recorded import, that of 1902, when cotton values were more normal. Plain fabrics (undyed shirtings, sheetings, T-cloths, drills, and Jeans) increased heavily, the importations in four years past having been as follows:—

1902. Pieces.	1903. Pieces.	1904. Pieces.	1905. Pieces.
18,710,469	13,562,460	12,640,084	27,724,980

The price of raw cotton in the western markets was low at the end of 1904, and continued low for the first three months of 1905. During this period, as stated in my last report, orders were placed for future delivery of large quantities of piece goods, and the subsequent increase in the price of cotton (an increase of 67 per cent, from 3¾d. per lb. in January to 6¼d. in December) operated only to the benefit of the indenters in China. Of the plain fabrics named above, supplies came from the principal producing countries in the following proportions:—

	1903. Pieces.	1904. Pieces.	1905. Pieces.
Great Britain . .	7,841,605	8,109,020	13,548,025
America . . .	4,782,141	3,703,548	12,566,093
Japan . . .	730,723	607,312	780,580
India . . .	53,806	183,461	650,636

To the import of 1905 the English mills contributed 49 per cent; the American, 45 per cent; the Japanese, 3 per cent; and the Indian, a little over 2 per cent. Fancy goods, with a reduced cost for raw material, increased in value from Hk.tls. 24,162,260 in 1904 to Hk.tls. 27,320,865 in 1905. The increase in quantities is very general, and is most marked in chintzes and prints, cotton Italians and lastings, and cotton blankets. Cotton yarn increased generally, even English spinnings sharing in the advance; the total increased from 2,280,878 to 2,553,797 piculs, of which India contributed 1,846,846 piculs, and Japan 681,442 piculs. For this year yarn has been swamped in the inflow of fabrics, and from a general average, taking one year with another, of a half of the value of all cotton manufactures, the value of

yarn has fallen to 36 per cent of the whole. The mills of China have, however, had a busy and profitable year, and have supplied a larger proportion of the demand than formerly, being helped out by a fall in the Shanghai price of cotton coinciding with the rise in the price elsewhere.

The import of metals was more than doubled in value. Brass, lead, tin, and quicksilver were less in quantity and value, the reduced import of lead being attributable to the reduced export of tea and, to some extent, to the increased price in Western markets. Iron and steel were considerably increased in nearly every kind. Of the total value of all metals, Hk.tls. 45,428,998, copper contributed over two-thirds, the importation (excluding wire) in the past three years having been as follows:—

		1903.	1904.	1905.
Quantity	Piculs	91,971	289,528	964,621
Value	Hk.tls.	2,506,741	8,704,322	31,133,551

At the same time spelter increased from 1090 piculs in 1903, and 14,326 piculs in 1904, to 32,472 piculs in 1905. The year 1903 already exceeded the normal importation, and the increase since that year may be safely assigned to purchases for the mints.

Foreign rice was imported in smaller quantities, 2,227,916 piculs, against 3,356,830 piculs in 1904; the import of Yangtze rice at Canton increased, however, from 2,221,483 to 3,903,912 piculs, and, with larger importation at Swatow also, the supplies from all quarters introduced into Kuangtung considerably exceeded those of 1904.

Cigars and cigarettes continue to increase, the value rising from Hk.tls. 3,279,713 in 1904 to Hk.tls. 4,734,579 in 1905. Household stores also increased from Hk.tls. 1,491,817 to Hk.tls. 2,384,534, and wines, beer, and spirits from Hk.tls. 2,077,509 to Hk.tls. 3,028,417. These figures are net, the value which remained in China of the year's importation. In addition, there were household stores of a value of Hk.tls. 516,867, and wines, beer, and spirits worth Hk.tls. 474,607, re-exported during the year to foreign countries. It is probable that much of this million taels' worth found its way to the canteens of both of the belligerent forces, and that the amount would have been greater had the neutral zone between the two not been pushed to the north.

Flour, 931,761 piculs, was about the same as in 1904; but whereas in former years the importation was entirely from American mills, during 1905 Australia has advanced into the market. Including re-exports, mainly from Shanghai in the

direction of the seat of war, the import of flour was 939,447 piculs in 1904, and 988,423 piculs in 1905. While the northern and central provinces of China take close on three-fourths of foreign imports in general, of flour they take normally but a third of the year's importation, the tendency being more and more to have recourse to the products of flouring mills established on Chinese soil and grinding Chinese grain. Imports at the ports served by Shanghai increased from 232,447 to 326,398 piculs, due possibly to the fact that the mills at Harbin were shut out from the Chinese market, but more probably to the demand for the troops in the north. The chief market for imported flour is in the ports served through Hong-Kong, which are constant importers of food-stuffs, and in which the returned emigrants have introduced a taste for foreign luxuries. Here the imports fell from 707,000 to 662,025 piculs, and, as it is known that Australian flour has won a footing for the first time in this market, it is probable that we have here an indication of the effect of the boycott on this American product, greater than the amount of this reduction.

Under dyes it is to be noted that natural dyes, such as mangrove bark, sapanwood, and indigo, are yielding place more and more to coal-tar products.

Kerosene oil maintains its position, the importation, 153,471,831 gallons, having been only 3,419,404 gallons less than the already much-increased import of 1904. To the totals of 1904 and 1905 American oil contributed 43 and 52 per cent; Russian, 21 and 8 per cent; Sumatra 35 and 32 per cent, respectively; while Borneo (including Langkat) rose from insignificant proportions to 7 per cent of the whole. The reduction of Russian oil is explainable by the wholesale destruction of the producing plant in the Baku region, and to this cause is attributable the failure of the boycott to affect the importation of the American product.

Railway plant increased from Hk.tls. 6,046,459 to Hk.tls. 7,346,739, in addition to half a million taels separately recorded for steel rails. Other machinery increased from Hk.tls. 2,660,039 to Hk.tls. 5,336,927.

Sugar from foreign countries continues to increase, the total quantity of all kinds (brown, candy, white, and refined) having risen from 3,202,980 piculs in 1903, and 3,747,563 piculs in 1904, to 4,620,675 piculs in 1905. How much of this is Chinese sugar re-imported from Hong-Kong cannot be stated, but in 1905 the total export of all kinds from China was only 519,211 piculs, and re-imports must be within this limit. The continued increase in refined sugar is noticeable.

The transit of Formosa tea at Amoy continues to fall off, the re-export in the past four years having been—

1902. Piculs.	1903. Piculs.	1904. Piculs.	1905. Piculs.
143,896	119,488	101,761	96,061

The total value of foreign goods re-exported in 1905 was Hk.tls. 14,093,741, of which Formosa tea contributed Hk.tls. 2,554,609, cotton manufactures Hk.tls. 5,020,064, and metals Hk.tls. 889,233; flour, milk, household stores, wines, beer, and spirits together made up Hk.tls. 1,408,131.

(*b*) *Exports.*—The total value of exports was Hk.tls. 227,888,197, to which the northern, Yangtze, and central ports contributed 63 per cent, the southern ports 35 per cent, and the frontier ports 2 per cent. This total was Hk.tls. 11,598,486 less than in 1904, the three categories of raw cotton, silk, and tea being reduced in value by 25 million taels. The reduction is attributable to bad crops of the main staples and adverse exchange marked by unexpected rises to which trade had not time to adapt itself.

Tea accounts for much of the reduced value of exports, the value of shipments in 1904 being Hk.tls. 30,201,964, and in 1905 Hk.tls. 25,445,652, the reduction being occasioned both by diminished quantities and lower prices. Black leaf was less by 152,000 piculs, the export in 1905, viz. 597,045 piculs, being valued at an average price of Hk.tls. 21.30, against Hk.tls. 22.10 in 1904. The cold, wet spring ruined the flavour of the first crop and reduced the quantity, and when the better quality of the later pickings gave prospect of an improved market, adverse exchange operated to keep silver prices low. Green leaf was pronounced to be generally the worst for years, and though the export, 242,128 piculs, maintained the figures of 1904, the average price was Hk.tls. 34.25, against Hk.tls. 39.25 in 1904. Brick tea, black and green together, increased from 447,695 to 518,498 piculs, which still is 100,000 piculs below the *ante-bellum* export of 1903. Our declarations of destination are fallacious, especially to European ports. For instance, shipments are shown to Great Britain of black tea, 252,841 piculs, green tea, 34,524 piculs, and brick tea, 68,303 piculs—not including consignments put on steamer at Hong-Kong. The brick tea is known to be for Russia, as was intimated in my last report, and this is to some extent true of leaf as well. The export of leaf rose (in thousands of piculs) from 116 in 1902 and 155 in 1903, to 282 in 1904 and, with a much-diminished total to all destinations, to 287 in 1905; the

British customs returns, on the other hand, show that Chinese tea, including shipments from Hong-Kong, was imported to the extent of 204,300 piculs in 1904 and 113,850 piculs in 1905. The difference between our figures and those of the British returns, viz. 251,000 piculs in the two years 1904-05, represents tea which went to destinations other than those declared to us. Great Britain must also do a respectable re-export business, since the returns show that, of Chinese tea, there were "withdrawn for home consumption" 82,860 piculs in 1904 and 49,942 piculs in 1905, in a total home consumption of 1,924,950 and 1,943,165 piculs respectively. This gives us the following figures:—

	1904. Piculs.	1905. Piculs.
Declared export from China (not including Hong-Kong) to Great Britain . .	282,000	287,000
Import into Great Britain from China (including Hong-Kong)	204,300	113,850
Home consumption of Chinese tea in Great Britain	82,860	49,942
Consumption in Great Britain of all teas .	1,924,950	1,943,165

This is eloquent testimony to China's loss of the English market, when we see that, of the year's consumption, China now supplies only 2½ per cent. The hope of the future now seems to lie in the finest teas, attractive for the inimitable softness of flavour, and the commonest teas, attractive for their cheapness. The following extract from the London *Times* may serve as a warning to the Chinese growers and Guilds:—"The falling off in the use of China tea is partly due to a deterioration in its quality, and to the difficulty of obtaining any considerable quantity of good black tea, which would probably sell here readily if procurable at a fair price. The deficiency this year [1905] is notable, and accounts for the larger purchases by the Russian merchants of fine Ceylon and Indian teas, which have helped to raise their value, not only in London, but also in Colombo and Calcutta, where these merchants operate freely. A commission of Chinese experts has recently visited Indian and Ceylon plantations, in order to ascertain the methods by which they have succeeded in growing tea so much better than the Chinese can; it is reported that the members of the Commission were not hopeful of emulating British methods on any considerable scale, although tentative experiments may be made."

Silk and its products contributed to the total export trade of the year a sum of Hk.tls. 70,393,833, being 31 per cent of all exports; this sum was nearly 8 million taels less than in 1904, and silk and tea together account for the whole of the reduction

in the value of the export trade. In native reelings of white raw silk the export fell from 34,238 piculs (Shanghai, 30,482 piculs; Canton, 3733 piculs) in 1904 to 24,270 piculs (Shanghai, 21,430 piculs; Canton, 2839 piculs) in 1905; and in filature reelings, from 47,287 piculs (Shanghai, 12,754 piculs; Canton, 34,521 piculs) in 1904 to 45,347 piculs (Shanghai, 12,791 piculs; Canton, 32,378 piculs) in 1905. Yellow silk was but little altered; while wild silk fell from 33,527 to 25,584 piculs. It will be seen that the loss has fallen chiefly on the Shanghai trade, accounted for by the effect of the inclement spring on the silkworm and the mulberry on which it feeds, and by the yearly increasing demand for home weaving. In the export of all kinds of silk and its products, China compares with Japan as follows:—

	1903. Hk.tls.	1904. Hk.tls.	1905. Hk.tls.
China . .	74,289,703	78,255,412	70,393,833
Japan . .	88,800,000	95,300,000	77,180,000

In the export of white raw silk, hand and filature together, the comparison is as follows:—

	1903. Piculs.	1904. Piculs.	1905. Piculs.
China	63,320	81,525	69,617
Japan	73,155	96,586	72,419

Disease continues to affect the Chinese silkworm, and producers in China will do well to take steps to remedy it.

Bean-cake, though shipped in largely increased quantities, failed to reach the normal level of 1903, exports being 2,897,948 piculs in 1905, and 3,403,704 piculs in 1903. Of the 1905 shipments, over a half came from Manchuria, notwithstanding the restriction imposed by want of transportation facilities from the interior, more than a fourth from Shantung, and a fifth from Yangtze ports. Beans attained the level of 1903 shipments, with an export of 2,665,523 piculs; Manchuria, however, contributed but a third, while three-fifths went from Yangtze ports to supply the deficiency from the North.

Raw cotton resumed a lower and more normal level, with shipments of 789,273 piculs, valued at an average of Hk.tls. 15.25, against Hk.tls. 20.20, the inflated value of 1904; the decrease in the value of the export is therefore greater in proportion than the decrease in quantity, and amounts to nearly 13 million taels. The crop was affected in both quantity and quality by floods, and the market was particularly influenced by exchange, since the crop of 1905 was gathered during the autumn

rise in the price of silver. The conditions of the Shanghai market were such that, with a steadily rising price in western markets, Shanghai silver prices as steadily fell.

Eggs found a market abroad to a value of Hk.tls. 2,021,589. The entire export of albumen was through Shanghai. Of eggs, 35 per cent was supplied from Shanghai and nearly 60 per cent from Kuangtung ports.

Cow and buffalo hides were exported in much smaller quantities, an indication rather of agricultural prosperity, since, in China, no cattle are raised for a foreign market, and beef is not an article of diet with the Chinese.

Matting was again exported in diminished quantity, and the hope expressed in my last report of a revival of this trade has not been realised.

In metals, shipments of antimony and of quicksilver were reduced, while the export of Chinese pig-iron was doubled, and that of tin from the Yunnan mines increased by a half.

Oil seeds were exported in largely increased quantity, this being especially true of sesamum seed, which was benefited by the climatic conditions which injured cotton, silk, and tea. Rape seed (19,751 piculs), though increased from 1904 (5417 piculs), did not attain the figures of 1903 (147,433 piculs) and 1902 (236,472 piculs).

Straw braid was exported in larger quantities, rising from 86,110 piculs in 1904 to 110,222 piculs. The trade expanded chiefly owing to the readiness with which the Chinese middlemen met the adverse rising exchange by lowering their silver prices; but there have been the same complaints of fraudulent packing, a matter to which the Guilds will do well to pay attention. The influence of the railway on the course of trade is very marked in this article; of the total export of the two Shantung ports, Chefoo contributed 70 per cent and Kiaochow 30 per cent in 1903, while in 1904 the Chefoo contribution fell to 40 per cent, and in 1905 fell further to 21 per cent.

Sugar shows signs of recovery, owing to a very large increase in shipments from Kiungchow. South China in general, however, appears unable to compete with the modern methods of the Dutch Indies, and Eastern sugar is more and more replaced for dainty palates by the refined article.

On the whole, it will have been seen that the year has been bad for the Chinese producer and the exporter.

4. SHIPPING. — The tonnage entered and cleared was 72,755,547 tons, an increase of 8,980,841 tons, or 14 per cent, almost entirely in steam tonnage, and distributed over all flags. British tonnage was more by 7 per cent (2,161,785 tons), but

the percentage of the whole (49 in 1903, and 51½ in 1904) was 48 in 1905. The German flag increased by 8 per cent (585,567 tons), being 11 per cent of the whole against 12 per cent in 1904. The Japanese flag was restored nearly to the position it occupied before the outbreak of hostilities, with 7,965,358 tons in 1903, reduced to 4,290,350 tons in 1904, rising to 6,238,918 tons in 1905; the percentage of the whole rose from 6½ in 1904 to 8½ in 1905. Norwegian tonnage was more than doubled, constituting 4 per cent of the whole. The French flag was a little over, and the American a little under 2 per cent; and no other foreign flag attained to ½ per cent. The Chinese flag increased 1,570,759 tons (14 per cent) in vessels of foreign type, chiefly steamers, and was about the same in junks entered at the Maritime Customs under various regulations; the two categories under this flag constituted 22½ per cent of the total.

During the year 23,984 indentured labourers were sent direct from treaty ports to South Africa.

5. TREASURE.—The import of treasure was Hk.tls. 42,918,969, and the export, Hk.tls. 42,675,455; deducting the copper coin imported (and not legitimately exportable), the account just balances. This statement is fallacious in two ways: it treats gold on the same footing as silver, whereas, in China, it serves to replace bills of exchange, but does not perform the functions of currency; and it treats Hong-Kong, the financial centre of South China, as a foreign port external to the finance operations of the treaty ports. Gold shows, on a balance, a net import of 7 million taels. Shanghai received Chinese gold from the North to a value of Hk.tls. 937,710, besides Hk.tls. 85,000 from Szechuan, and therefore the table shows that, of the gold imported from abroad, at least 8 million taels remained in the country. This is not the fact, and it may safely be said that fully three-fourths of the gold coin imported from Japan was melted into bars and sent away to Europe, either directly or through Hong-Kong.

Silver shows a movement of Hk.tls. 31,428,734 imported, of which a fourth was in bars and three-fourths in coin, and Hk.tls. 38,624,911 exported, an eighth in bars, the rest in coin; on the balance, 3 million taels in bars remained in the country, and 10 million taels in coin left the country, giving a net export of Hk.tls. 7,196,177. Of bars imported, only an eighth came from Asiatic ports, and of coin imported, only a twentieth came from extra-Asiatic ports; of the import of silver coin, Hong-Kong sent us 19 out of 23½ million taels, and of the export, took 32½ out of 33¾ million taels. The entire movement of bar silver

was at Shanghai. Of coin, on a balance, Shanghai gained 9 million taels, and Canton and Swatow together lost 17¼ million taels. For 1904 I had to note that the southern ports lost nearly 12 million taels in coin; and, with a continuing loss amounting to 17¼ million taels in 1905, and an aggregate of 63 million taels in the five years 1901-5, there is either a concealed return movement of money, possibly down from Hupeh and Kiangsi, or we have here a measure of the unrecorded importation in the pockets of repatriated emigrants of the coin they bring back with them from their exile, returned to commercial use by this channel. Mengtsz received 2 million taels in Tonkin dollars; it is possible that there is an unrecorded return of a portion of this sum in the pockets of the *personnel* of the railway. While South China lost on balance struck with its financial centre, Hong-Kong, the internal movement in the North is interesting. The ports of Newchwang, Chinwangtao, Tientsin, and Chefoo had a collective net import of silver, sycee, and coin, almost entirely from Shanghai, amounting to 40 million taels, exclusive, of course, of shipments which went to Manchuria through unrecorded Government channels, and exclusive also of 6 million taels' worth of copper coin imported from Shanghai; while the Shanghai statistics show that in addition to the inward movement from Hong-Kong, *i.e.* from South China, the recorded domestic import of silver at that port was mainly from Yangtze and central ports; Hankow, for example, imported 7½ million taels, chiefly from Szechuan and Hunan, and exported 5 million taels, chiefly to Shanghai. The Szechuan shipments down river, with the great risk of shipwreck, are significant of the trend in the movement of silver.

I have been favoured with a statement of the estimated import and export of treasure at Hong-Kong during 1905, from which I have been able to make up the following table showing the movement of gold and silver between the commercial area, including Hong-Kong and the treaty ports of China, and all points outside that area:—

[TABLE

	Imports.		Exports.	
	Gold.	Silver.	Gold.	Silver.
	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.
Chinese ports from/to Foreign countries including Hong-Kong . . .	11,109,608	31,428,734	4,050,544	38,624,911
Deduct Hong-Kong .	94,447	19,416,334	1,562,247	32,556,749
	11,015,161	12,012,400	2,488,297	6,068,162
Hong-Kong from/to non-Chinese ports . .	4,065,000	8,180,000	8,540,000	3,366,000
	15,080,161	20,192,400	11,028,297	9,434,162
Total for Commercial Area . . .	35,272,561		20,462,459	

On this showing, while China lost Hk.tls. 137,113 (Hk.tls. 7,196,177 counting silver only), mainly to Hong-Kong, the commercial area gained Hk.tls. 14,810,102 (Hk.tls. 10,758,238 in silver only) from the outside world. For international statistics it will be safer to take the last figure, 10½ million taels, as the net gain during the year to the currency of the Empire.

On the 31st December 1905 the note circulation of the Shanghai banks was Hk.tls. 2,962,200, and the silver in their hands was reported to be Hk.tls. 9,100,000. The average note circulation of the Hong-Kong banks during December 1905 was Hk.tls. 12,219,544, and during January 1906 was Hk.tls. 14,199,000.

Of copper coin, Hankow reports shipments valued at Hk.tls. 5,330,000, chiefly to Shanghai and Chinkiang; Shanghai reports receipts valued at Hk.tls. 7,494,199, chiefly from Hankow, Hangchow, and Canton, and shipments valued at Hk.tls. 6,607,428 chiefly to Tientsin, Chefoo, and Kiaochow; shipments from Soochow are probably not entirely recorded. If to the Shanghai receipts be added the Hankow shipments elsewhere than to Shanghai, we have the equivalent of between 1600 and 1700 million copper cents moved along the coast, mainly the product of three mints.

The provincial mints of China have been active during the year. The reports received by me are not complete and not entirely trustworthy, but from them I gather that the minting of whole dollars has amounted to about $20,000,000. Of silver coins subsidiary to the dollar, the reports give an output of 72,500,000 pieces, valued at $14,432,800; these coins a year

ago had recovered a position of parity with the dollar, but are now again at a discount of 5 per cent. Of copper coins, but few *mills* (*cash*) are known to have been struck, although it is reported that the Wuchang mint is about to begin issuing them. The issues of the cent (10-*cash* piece) have assumed proportions which have been characterised as alarming: collating the reports received and checking by an estimate from the amount of copper bought for the mints, I am inclined to put the issues during 1905 at about 7500 millions, making an aggregate output of about 10,000 millions since the first issues of this coin were made. These figures are less trustworthy even than other mint statistics, owing to the localisation of the profits from seigniorage, which have gone to the benefit of the provincial authorities, and not to the Imperial exchequer, but they may be taken as a probable maximum. As an element of uncertainty in the estimate from the amount of copper imported, it may be mentioned that the demand for these coins ceased to expand owing to the depreciation in their exchange value, and that at the close of the year the mint authorities found themselves with stocks of copper on hand greater than their probable needs; they were, however, helped out by the rise in the value of copper in the world's markets, much of their supply having been bought when the price was between £66 and £70 a ton, while the price at the end of December was £79, and were able to sell a considerable part of their surplus stock, for reshipment to western markets, at rates which secured them from loss. These coins have depreciated in exchange value. A year ago I was able to report that the people had taken them readily, as supplying a real need, and that the entire output of the mints was at once absorbed into circulation. There is no economic reason why this should not be as true to-day. In fact, however, reports of depreciation began to come from the interior in June, and at the beginning of July a blow was struck, at the important market of Shanghai, which produced an immediate and lasting effect. An important governmental establishment, having a large staff of workmen and drawing large amounts in copper coin from the treasury, refused to receive the cents except at 10 per cent discount; the money market promptly responded, and the dollar worth 880 *cash*, exchanging for 88 cents, exchanged within a day for 96 cents. From this depreciation went on steadily, and at the end of the year the dollar was rated at 107 cents, and at date of writing may be put at 110 cents; within 12 months the cent has depreciated in value no less than 22 per cent. This depreciation has been more or less general throughout the Empire, and, as a natural consequence of the diffusion of the cents and their depreciation, the *mill*, or

cash, is going more and more out of circulation, the inferior *cash* being driven to the villages and those of greater weight being melted down. In my last Report I foreshadowed that "if, not from choice, but from necessity, the people must carry cents in their pockets, and not *mills*, their little comforts will be cut off, and the men who now support a family in comfort on sixpence a day will find themselves reduced to the level of a bare subsistence." This is now coming to pass. The silver price of rice is increasing, and, even at the same price, people have to pay to-day an amount nearly a third greater than one year ago in the coins which constitute their currency. Two laws have been established in the history of nations—that a depreciated currency will displace all others, and will fix the price of commodities, and that the wages of labour do not adjust themselves rapidly to the depreciation; and there seems no good reason why these laws should be less true of China than has been proved in other countries. It is invariably the people who pay, and the Chinese Government will now find itself confronted with a nation suffering, in a way which they will not be able to understand, from all the evils of unaccustomed poverty. Two principal objections have been urged against the new cents —their appearance and quality, and their over-issue. Neither of these seems well founded. Considering the large issue within a short time their appearance is creditable; and analysis of specimens of various mints taken at random shows that, while some are of pure copper, and others contain up to 5 per cent alloy, they all contain within a small margin of $7\frac{1}{4}$ grammes of copper. There were small issues of brass cents from several mints, containing between 70 and 80 per cent of copper, but these were not persisted in. On the question of over-issue, it will be admitted that it is not easy, within a limited time, for a population of 400 millions, and that a *per capita* circulation of 25 cents in the retail currency of the people is not excessive, when we see that the circulation in the United States of America (gold $15.00) is 120 times as great; for it must be remembered that copper in China performs most of the functions of gold, silver, and copper in the West, the place of silver in China being rather filled by cheques and bank or government notes in the West; the true comparison, however, is to say that in China the *per capita* circulation of cents (excluding the *cash* from consideration) is $1\frac{1}{4}$ days', and in America 10 days', wages of an unskilled workman. Though these objections are not well taken, an evil of great and increasing dimensions unquestionably exists; an evil requiring no special attention twelve months ago, easy of adjustment six months ago, presenting a difficult problem now, and becoming

increasingly difficult and more costly in its solution with every day that passes without a wise remedy being provided. Even at the present stage a satisfactory solution will probably cost the Imperial exchequer a sum fully equal to all that has been taken as seigniorage profits in the provinces, and delay will only add to the cost by the necessity of appeasing an angry and discontented populace. One step has been taken in the right direction, by an Imperial rescript directing that from the 24th April 1906 all mints shall be placed under the Imperial Board of Revenue. This is a very necessary step, and now there remains but one measure of regulation to be adopted, assuming that the Imperial Government accepts as its own the previous issues of the provincial mints; the Government which, by one of its branches, issues these coins at a certain face-value must, in all its branches, accept the coins in payment of all dues and at the same value.

6. BALANCE OF TRADE.—In my Report for 1904 I referred to the great excess in the value of imports over exports; and taking the figures for 1903, when the value of foreign merchandise imported exceeded that of Chinese produce exported by 31 per cent, I was able to show that the sum of China's liabilities on the year's working, including payments for imports, loans, and indemnities, and all other charges, was fully covered by the assets available in the same period, made up of the visible asset of produce exported and other invisible assets for which an estimate was given. In 1904 the excess of imports had increased to 43 per cent, and in the trade of 1905 imports (Hk.tls. 447,100,791) exceeded exports (Hk.tls. 227,888,197) by 97 per cent. Other things being normal, the natural result of increased imports $\frac{\text{and}}{\text{or}}$ decreased exports would be to knock exchange on the head, importers competing for bills to cover their indents, while exporters' bills would not suffice to supply the demand; exchange has, however, been, on the average, 5 per cent higher (3s. $0\frac{1}{10}$d. against 2s. $10\frac{4}{10}$d.) in 1905 than in 1904, with even a marked rise toward the end of the year and a tendency to maintain the rise. This is a result which would naturally follow from diminished imports or increased exports, instead of the actual conditions of the year, and the advantage has been to importers, notwithstanding the increased supply of imports. To put it in terms of silver, importers would for Tls. 10,000 have obtained in 1905 bills for £1500, while in 1904 the outturn would have been only £1425, with which to pay their invoices; and exporters selling bills for £1000 would in 1905 obtain Tls. 6666, and in 1904 Tls. 7000, with which to

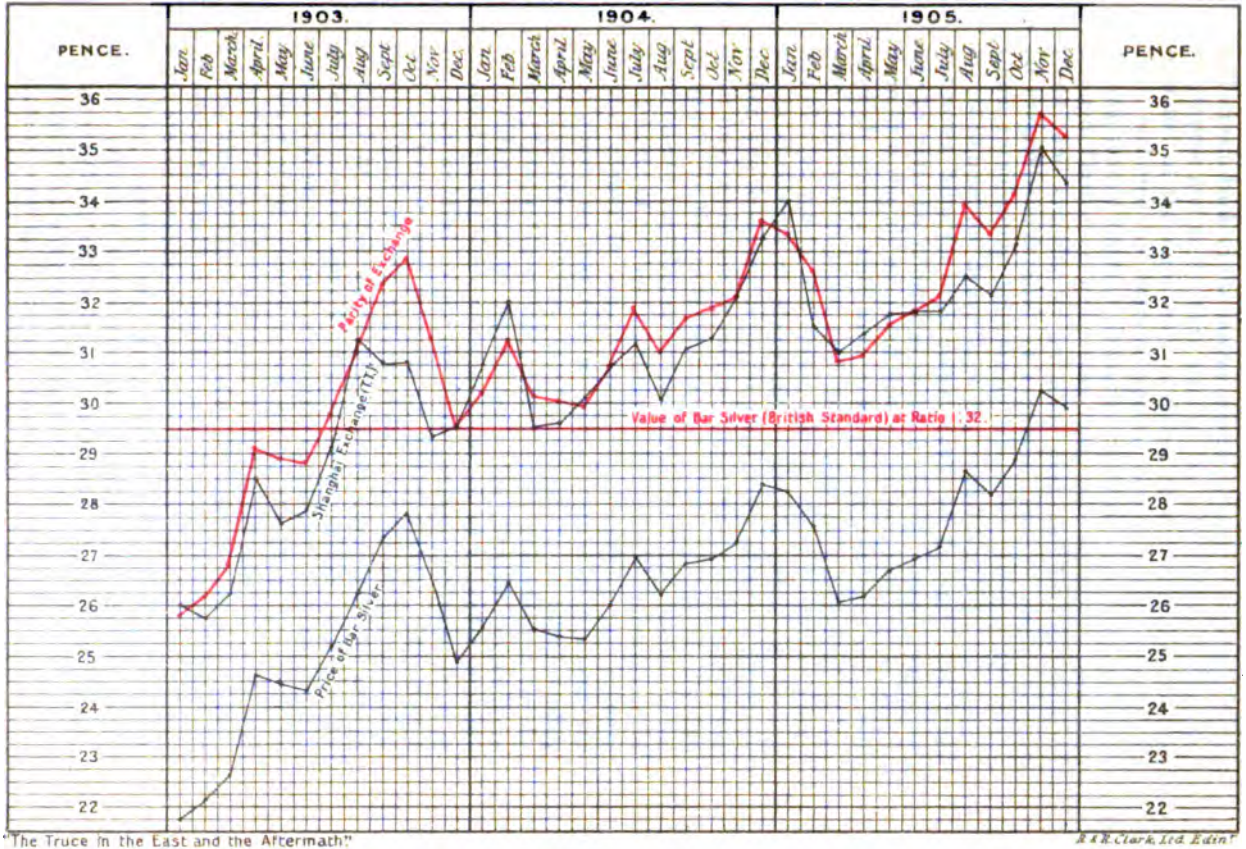
buy produce. The exporter was on better terms in 1904 and the importer in 1905.

Exchange can, therefore, not have been mainly affected by the trade conditions in China, though it is to be noted that the rate for bills, as shown by the accompanying diagram, has not always risen as high as the rate for silver, the exchange rate being in the last three months of the year a full penny, and sometimes nearly 2d., below the parity of exchange based on the price of bar silver; in other words, the importer buying bills has lost from 3 to 5 per cent of the amount realisable if he could take the silver obtained for his goods and transport it, without cost, risk, or loss of time, to the place where he has to turn it into gold.

Of external causes of the rise in the value of silver two may be mentioned. The world's output of gold is increasing; in the 40 years 1851-90 the annual average output available for coinage and the arts was under £25,000,000, while in 1905 the mines of the Transvaal alone reported an output of £20,802,074, making a probable world's total for the year of over £70,000,000; the result of this increase would be to lower the exchange value of gold, and with no diminution in the demand for silver, to appreciate relatively the value of silver. The demand for the white metal has at the same time increased; the mints of India have been buying, it having been decided to establish a new reserve of uncoined bullion to the amount of 30,000,000 rupees, in addition to the coin reserve; and the requirements for the new coinage (the *peso*) of the Philippines have called for some silver supplies; and it is stated that Japan and Russia together have bought some 50 million ounces for transmission to the seat of war. Concurrently, the Mexican mint has taken advantage of high exchange prices to dispose of the larger portion of its surplus stock of Mexican dollars.

Coming to the extreme East, we find one cause tending to keep up the rate of exchange, and thereby to enhance the value of silver—the needs of the belligerents in Manchuria. Funds for use in the North have been provided by both the combatant powers in two ways: by drafts on Shanghai (and secondarily on Tientsin), and by the use of Russian rouble notes and Japanese war notes for silver dollars. The drafts coming in have covered merchandise indirectly; they have provided at Shanghai a credit fund on the drawing country, which has served to provide drafts for remitting the proceeds of China's imports, and to that extent has reduced the quantity of importers' bills which must be covered by exporters' bills; and while the drafts had the immediate effect of draining the market of silver, it was for use within the national

EXCHANGE VALUE OF SHANGHAI TAEL (TELEGRAPH TRANSFER TO LONDON) AND PRICE OF BAR SILVER (LONDON) ON LAST DAY OF EACH MONTH, 1903-05. *Note the Remarkable Fluctuations.*



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and commercial limits of China, and the silver has streamed or will stream back to the money market as soon as it has served its purpose and as the ways are opened. The rouble notes have operated in the same way as drafts, being discounted on the spot, collected by financial agents, and returned promptly to Russia, mainly through Shanghai, but after the spring of 1905 through Harbin as well; they have thus served to swell the credit fund available for providing importers' bills, and have so far lessened the demand for exporters' bills—they have enabled China to substitute Manchurian labour for Kiangsu silk as an export to meet the demands of her annual liabilities. Japanese war notes, being for silver dollars, could not be used in the same way to press an immediate demand on the issuing nation; of them, it is roughly estimated that 75 million dollars were issued, of which about a sixth were redeemed on the spot, and a sixth were returned to Japan, and there voluntarily redeemed at the rate of 0.90 yen for the dollar, leaving about 50 million dollars still in circulation in Manchuria. To the extent of the 10 million yen redeemed in Japan, these notes added to the banks' credit fund, while the 12 million dollars redeemed locally added so much to the cash reserves of China, imported through channels not contributing to the statistics of the treasure table. The amount of all these additions to the financial resources of the Empire cannot be exactly assessed. Accepting the estimate given above, we may take the entire amount of Japanese war notes, 75 million dollars, since they constitute an actual liability of the Japanese Government, and must be maintained in circulation without undue depreciation; the Russian expenditure provided in the same way cannot be put at a smaller amount; and I am inclined to put the funds provided by bank drafts at fully 50 million, and probably 75 million dollars. This gives a possible total of 225 million dollars, or Hk.tls. 150,000,000, provided by the belligerent Powers to cover invisible exports purveyed for their use; for it must be remembered that supplies provided from the area of military operations or its vicinity are an export of the country on which that area depends. Supplies procured from the country, such as the provisions to feed the armies, the clothing to cover them, the transport to move them, the labour to house or shelter them, or to supplement their own work, are all exports of material or labour, are all assets of the producing country, and must all be paid for, one way or another, either in money or in an increased difficulty in getting further supplies; and both belligerents, while undoubtedly causing much suffering, seem to have paid their way.

Coming now to the actual balance of trade (or balance of in-

debtedness, as it has been better termed), we have the following statement on the basis of the trade of 1905:—

LIABILITIES.			
Value of merchandise imported in 1905	Hk.tls.	447,100,791	
Net import of treasure into commercial area (*see* page 512) . . .	,,	14,810,102	
Loans and indemnities . . .	,,	42,000,000	
Invisible liabilities, estimate of 1903 .	,,	32,070,000	
			535,980,893
ASSETS.			
Value of merchandise exported in 1905	Hk.tls.	227,888,197	
Invisible assets, estimate of 1903 (less expenditure on Manchurian railways and garrison of Port Arthur) . .	,,	149,400,000	
			377,288,197
Difference to be accounted for . . .		Hk.tls.	158,692,696

This unprovided balance, Hk.tls. 158,692,696, may be considered a possible estimate of what may be called "war remittances" which have, during the year, been covered by merchandise imported, subject, however, to some deduction for the balance of transfrontier trade outwards over that inwards (*see* page 500), not included in this estimate.

As some uncertainty is still found to exist in the Chinese mind as to the actual disposition of the silver which has to be paid by the Government of China to procure gold for its foreign loans and its indemnities to foreign Powers, I think it well to go more fully into the subject. The amount so payable is about £6,250,000 a year; at the average exchange of 1902 this was equivalent to Hk.tls. 48,000,000, and at the exchange of 1905 to Hk.tls. 42,000,000.

The money required is first in the pockets of the people in copper *cash*: with this they buy goods, both foreign and native, from the retail dealers, who must then convert this copper into silver to pay for their purchases from the wholesale merchants. These last must pay on their goods, silver for Customs duties, copper for general and salt likin, and silver or copper for other taxes, and in this way the necessary funds come into the official treasuries; but what is received at the treasuries in copper must be converted into silver.

Remittances are made, usually by draft, from all the collecting treasuries to Shanghai, the principal commercial centre of China, where the money has to be paid to the banks by the Shanghai Taotai, who acts as financial agent for the Chinese Government. On the due date the Taotai sends to the foreign banks cheques

for the amount in silver which is due to each. This finishes the part to be performed by the Chinese Government. The rest is to be done by bankers and merchants, and is in two parts: (1) changing the silver paid by cheque in Shanghai for bills of gold exchange required to pay the loans and indemnities; (2) finding the silver required by the Chinese banks to pay the cheques sent by the Taotai to the foreign banks, and getting that silver back into circulation through all the provinces of China.

For the purchase of gold exchange I can only repeat what I wrote in the Report for 1904:—"The fact is that on the due date the Chinese Government becomes a buyer of bills for gold exchange. Now bills of exchange are like other commodities, the price depending on relative supply and demand. Importers of foreign goods buy exchange, paying here the silver they have received from selling the goods and receiving in foreign countries the equivalent in gold with which to pay the original cost; and exporters of native goods sell bills, receiving here the silver with which to buy the goods, and repaying to the bank the proceeds of sale in foreign countries. When the Chinese officials wish to buy exchange, they find that importers also wish to buy, and they both are competing for the bills to be sold by exporters. Suppose that on any given day the exchange is Tls. 7 for £1 sterling, and that Chinese officials wish to buy bills for Tls. 1,000,000, and importers also wish to buy for Tls. 1,000,000; if exporters on that day wish to sell bills for Tls. 2,000,000, then the rate of exchange is unaltered, and the bank makes its profit from the difference between the buying and selling rates. But suppose exporters on that day have bills for only Tls. 1,000,000 to sell, then the price goes up, as is the case always when demand exceeds supply. If the price goes up, say, to Tls. 8 for £1 sterling, the Chinese Government must still of necessity buy; perhaps half the importers must buy, while half may wait for more favourable exchange; and exporters, who did not intend to sell bills at Tls. 7, may, if they can receive Tls. 8, increase their sales from 1 million to 1½ million taels. In this case we see that altering the exchange has reduced purchases of bills from 2 million to 1½ million taels, and has increased sales from 1 million to 1½ million taels. Here, again, the bank makes its profit from the difference between buying and selling rates. Now the effect on trade is this: that the importer, having goods costing £1 sterling, could before sell them for Tls. 7, but cannot now cover cost unless he receives Tls. 8; and the exporter, wishing to buy goods which he can sell for £1 sterling, could before pay only Tls. 7, but can now pay Tls. 8.

This explains why purchases of bills were reduced and sales increased; it also explains why, on general principles, the quantity of imports would be reduced, and why both quantity and value of exports would be increased."

For the silver transactions the cheques which the foreign banks have received from the Shanghai Taotai are presented to the native banks, and silver would be demanded if the foreign banks had a deficiency of silver and required to replenish their stock; but in general the Chinese practice is followed, and accounts are finally settled only at the end of the Chinese year. On presentation of the cheque the deposit to credit of the Taotai is transferred to the credit of the foreign bank, and becomes a debt due by the native bank to the foreign bank. For this debt interest has to be paid, and the amount of interest will depend on the proportion between all debts due to all banks and the actual silver available in the market and at the disposal of the debtor banks, and on the time still to run to settling day. This is the interest which the native banks must pay to the foreign banks. Now the native banks, if they must pay 5 per cent or 10 per cent for money which they owe, must receive 7 per cent, or 12 to 15 per cent for the money which is due to them; without profit they must shut their doors. They are always lending to Chinese merchants, both in Shanghai, to which place the Taotai's remittances have come, and inland, whence the treasuries' remittances were sent; and with this money the merchants buy Chinese and foreign produce.

Considering first the Chinese produce, merchants expect to make a profit on what they have bought, and to compel them to sell otherwise than in the ordinary course of trade one of two things must happen: either the fluctuations in exchange referred to above will bring an increase in the silver value of their goods which will induce them to sell by increasing the profit; or an increase in the interest demanded by the banks will increase the cost of holding the goods, so that they will then be forced to sell with a small profit, or even with no profit at all. The merchants in the interior, having bought goods with the silver which they have borrowed from the native banks, will either themselves bring the goods to Shanghai or another large treaty port, or will sell to another merchant who brings them to the treaty port. After arrival at the port they hold the goods to make a profit. If exchange alters in such a way that the foreign merchant can offer a larger price, as shown before, then the owner will sell his goods because of the profit which he will make. If the money market is tight and the foreign banks must charge a high rate of interest, the native banks, if they are unable to pay off the

debt, must then pay a higher interest, and must therefore demand a higher interest from the native merchants, until first one, then another, then more are forced to sell because they cannot obtain renewal of the loans or cannot pay the higher rate of interest. When they have sold, either to obtain the profit, or because they are forced, they obtain payment either by order on native banks, or more probably by cheque on the foreign banks. Meantime the foreign merchants who bought these goods have been selling foreign goods, with the proceeds from which they create a credit at the foreign banks, and against this credit they draw their cheques. The cheques thus received by the sellers of native goods are then paid to the native banks to repay the loans, and are used by the native banks to reduce their indebtedness to the foreign banks. When the supply of native goods sold for export to foreign countries is sufficient, the entire indebtedness of the native banks to the foreign banks can be paid off in this way; but as this is not now the case, silver must be obtained from elsewhere to close accounts at the end of the year.

While native goods for export have thus contributed their share to steady the money market, foreign goods have been bought by native merchants at Shanghai and elsewhere to be transported inland and sold. The native merchant has borrowed from the native banks the money with which to pay the foreign importer, and when these foreign goods are sold the money received for them is paid to the native banks' branches or agents in the interior. In the case of foreign goods also, a rise in the rate of interest forces the holder to sell, in order that he may repay his loan; and a rise in exchange leads him to sell, either because he can replace the goods more cheaply, or because he is competing with others who bought their stocks more cheaply at the higher exchange. If at Shanghai the foreign banks owed money to the native banks, or if there were abundance of silver in both foreign and native banks, the rate of exchange would be such that the silver would remain inland, and the proceeds would be remitted to Shanghai by draft; but if the Shanghai native banks are short of money, then the expense of remitting hard silver must be incurred, and the silver will be sent to Shanghai to enable the native banks to liquidate their debt to the foreign banks; and in this way the banking transactions of the year are closed. From Chungking, to cite one example, it is reported that, during the latter half of the year, merchants were quite unable to obtain drafts to pay for their goods imported, and were driven to incur the risk and expense of shipping bullion down river through the rapids, and that this imposed a serious restriction on trade.

At the close of the year, then, the whole of the payments due for loans and indemnities have been paid to the foreign banks in the course of ordinary banking business, and the payments for loans and indemnities are in no way distinguished from payments for goods, whether foreign goods imported or native goods exported. If the quantity of native goods exported is reduced—as, for example, by a failure of the silk crop, or a smaller export of tea or other goods—then the silver required to be sent to the interior is less, and the bills offered for sale against exports are less, and the foreign banks have no means of using the silver in their vaults, and must export as much silver as they cannot use, except under conditions such as prevailed during the past year, when so much of importers' bills was covered by credits based on war remittances. If, on the other hand, there are native goods for export in large quantities, then the foreign banks will lend their silver to native banks, to be lent to native merchants to take to the interior to buy native produce, or will buy bills from foreign merchants who have to pay for native produce brought down from the interior.

The periodic payment of loans and indemnities has the effect of making the foreign banks perpetual creditors receiving silver from the native banks, but it does not have the direct effect of causing a flow of silver out of the country. The movement of silver is affected by the movement of goods; when exports of goods are abundant silver will remain in the country, and when they diminish in quantity or in value silver will flow out. In other words, the debts of a country are paid in goods, and silver is used only when goods are not exported in sufficient quantities. An increase in exports makes the rates of exchange favourable to the exporting country, and also increases the supply of silver, so that the money market is easy. The conclusion, therefore, is that every effort must be made to encourage the export trade, since only in that way can the solvency of the country be maintained.

Taking 22 articles of import the value of which in 1904 constituted 40.8 per cent of the total net value of the foreign imports of that year, and 26 articles of export the value of which in 1904 constituted 62.3 per cent of the total value of all exports of that year, and calculating from them the total value of all imports and exports respectively, I find that the proportion which the value of the quantities exported bears to the value of the quantities imported in 1904 is as follows:—

[TABLE

	Average Exchange of Haikwan Tael.	Value of Imports.	Value of Exports.	Proportion of Exports to Imports.
		Hk.tls.	Hk.tls.	Per cent.
At the average price per unit of classifier—				
For the decade 1892-1901 .	39½d.	259,250,000	169,000,000	65.2
,, ,, 1882-1891 .	62d.	218,000,000	139,250,000	64.0
,, ,, 1872-1881 .	73d.	227,400,000	149,400,000	65.7
,, ,, 1862-1871 .	82d.	282,500,000	187,800,000	66.5
For 40 Years, 1862-1901 .	. .	246,787,500	161,362,500	65.4

The articles of import and export were selected solely on account of their relative importance, except that in imports two sorts only of opium were taken, in order that the result might not depend too much on the value of one category. As it is, while the value of all sorts of opium in 1904 was 11 per cent of the value of all imports, by the average rates of the four decades the value of the two sorts was 20, 17, 19, and 18 per cent respectively of the total value of the 22 selected articles; on the other hand, it should be noted that the quantity of opium imported in 1864 contributed, at the prices of that year, 40 per cent to the value of all imports. Among exports are included some articles now of minor importance, four of the items contributing together less than 1 per cent to the value of the 26 selected articles; these four are included because they were formerly worth consideration as articles of export. For filature silk, an article recently introduced, I have had to take, for the three decades 1862-91, average values bearing the same proportion to the values of native reelings of white silk as holds for the decade 1892-1901; and among imports, for Indian cotton yarn and Japanese matches, to the two decades 1862-81 I have had to assign the average values of the decade 1882-91.

Studies of the statistics of other silver-using countries, made with the purpose of ascertaining the effect on trade of the steadily declining value of silver currency,[1] have shown that those countries pay year by year an increasingly larger quantity of products exported in return for the merchandise imported; silver-using countries being mainly exporters of raw material rather than of finished products, this truth may be expressed

[1] See (among others) *The Influence of Falling Exchange upon the Return received for National Products.* By Charles A. Conant, Jeremiah W. Jenks, and Edward Brush. London, 1903.

by saying that, in return for their raw material, they receive back a smaller proportion after it has been carried to a further stage of manufacture, the exchange operations and their instability acting more and more to the disadvantage of those helots among nations, the producers of raw materials.

These conclusions are not supported by the experience of China, and this result is so unexpected that I think it well to give as an Appendix the tables on which the calculations have been based, in order that they may serve as material for others wishing to work on the same lines. For China it appears that, taking the quantities of merchandise imported and exported during the year 1904, and calculating the values by the average price of each decade, exports bore to imports for the whole period of forty years the proportion of 65.4 per cent, and that in any one decade the proportion did not vary from this by more than 1.4 per cent. This shows a wonderful steadiness of values in international exchange of merchandise, and we are driven to see if there are other factors than the value of silver currency entering into the problem.

Market prices for the world are made by a selected few among the gold-using countries, and, with some modification of the sweeping nature of the statement, they are accepted by the commercially inferior countries, among the latter being all silver-using nations. Forty years ago was the day of slow transport and high freights; to the first cost of imports had then to be added a larger percentage than in recent years, to cover the higher freight and interest for a longer time; and, for the same reason, a lower price only could be paid to the Chinese producer for China's exports. Owing to the great distance from the import markets in Europe and America, this was more especially true of China than of other countries, and the value per unit obtainable by the Chinese producer for his exports in former years approached less closely than at present to the prices realisable in the foreign markets, if this cause only be considered. These two reacting effects may be considered to balance each other; but forty years ago, too, inland taxation was very light, and the difference between prices in the interior and values at the port of shipment owing to this cause was small; since then the likin barriers have increased in number, and the taxation has increased in amount, and, even with the same silver value paid to the producer, the cost on shipment is correspondingly increased. Another cause is found in the fact that, while silver has lost 60 per cent of its purchasing power in gold, it has in the forty years lost only 30 per cent of its value expressed in terms of copper coin. Exports are originally sold by the millions of

the actual producers for copper, which has actually appreciated one-half when compared with the depreciated silver in which our export values are expressed; and a quantity sold for the same amount in copper coin would forty years ago be valued for export at 100 taels, and to-day at 150 taels, exchange only being considered, and the copper exchange of 1904 being taken as basis. The same cause affects also the price at which foreign imports are sold to the inland consumer; but in all cases of shifting exchange, especially when marked by fluctuations, the trader covers himself for all possible contingencies, and it is the consumer-producer who pays both ways. These three causes, working one between the exporter in China and his foreign market, the other two between him and the supply districts in the interior, have operated to disguise the facts ascertained from the commerce of other countries, and with no greater, or with less, return to the actual producer, tend to assign to China's exports now a value in silver not less than that of forty years ago and of the whole intervening period.

There is another factor which must be considered. In my Report for 1904 I referred to the trading capacity of the Chinese merchants, and their ability to take advantage, for their own profit, of every movement in exchange; and Mr. Jernigan[1] says of them: "From the earliest ages the Chinese have been pre-eminently a trading people. Their acuteness and sagacity were not surpassed by that of any contemporary nations." Every merchant in China recognises that this is so; and the events of the past year have demonstrated to those who did not realise it before, the wonderful power of combination to secure their own ends inherent in the Chinese character. This capacity places their country on a different footing from all the other silver-using nations which have been considered in this connection; and though they cannot avert fate or modify irresistible natural laws, they can so retard their operation that the lessons to be drawn from the statistics of the trade of China may appear false. The silver value of imports has been enhanced by the operations of exchange; but against this must be put the diminished cost of production due to the inventive powers of the West, of which the East has taken full advantage. Among exports we find that where China has lost her power to dictate terms she receives less for her produce, as in the case of tea, of which the silver value in the decade 1892-1901 was 22 per cent less than in 1862-71; in the case of silk, in which China occupies middle ground, gradually losing the strong position she once held, but still finding a market for her product, the loss is much smaller;

[1] *China in Law and Commerce.*

and in the case of natural monopolies and articles favoured by her cheap labour, as musk, essential oils, raw cotton, straw braid, bean-cake, etc., the return in silver is coniderably increased.

From this survey of the field it will be apparent that, if we eliminate the action of the keen business capacity of the Chinese trader and other special influences affecting prices, the deductions to be drawn from the statistics of China's trade with foreign countries do not disprove those based on the trade of other silver-using countries. The causes which I have mentioned tend, one with another, to diminish the prices realised for imports and to increase the prices obtained for exports at the place of international exchange, the treaty port, at which our statistical values are assigned, the real place of exchange being, however, the inland marts at which the imports are consumed and the exports produced. The natural result would be that, for a given quantity of imports and exports exchanged, the proportion which the value of the exports bears to that of the imports would tend to increase year by year. Now comes in the law deduced from the statistics of silver-using countries generally, according to which the proportion should diminish year by year; and the resultant of these two opposing influences is the equilibrium which we see in the statistics of the trade of China.

H. B. MORSE,

Statistical Secretary of the Inspectorate General of Customs.

SHANGHAI, *26th March* 1906.

APPENDIX

I. COMPARATIVE VALUES OF THE PRINCIPAL ARTICLES OF IMPORT, 1862–1904

Commodities.	Classifier.	Quantity Imported in 1904.	Value in 1904.		Quantity Imported in 1904 at Average Value of Decade:							
					1892 to 1901.		1882 to 1891.		1872 to 1881.		1862 to 1871.	
			Rate.	Amount.	Rate.	Amount.	Rate.	Amount.	Rate.	Amount.	Rate.	Amount.
			Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.
Opium, Malwa	*Piculs*	22,090	728.70	16,097,055	472.15	10,429,794	358.08	7,909,987	432.95	9,563,866	495.28	10,940,735
,, Patna	,,	19,956	659.48	13,160,919	594.94	11,872,623	361.39	7,211,899	399.62	7,974,817	511.25	10,202,505
Shirtings, Grey	*Pieces*	3,785,729	2.76	10,441,093	1.34	5,072,877	1.02	3,861,444	1.19	4,505,018	2.52	9,540,037
,, White	,,	2,775,065	3.91	10,853,365	2.82	7,825,683	1.66	4,606,608	1.90	5,272,624	3.02	8,380,696
Sheetings, American	,,	2,003,791	3.34	6,701,797	2.70	5,410,236	2.39	4,789,060	2.91	5,831,032	4.78	9,578,121
Drills, English, 40 yds.	,,	129,949	3.20	415,488	2.80	363,857	1.84	239,106	1.86	241,705	4.19	544,486
T-Cloths, 7 lb., 32 in.	,,	820,887	1.84	1,507,065	1.27	1,042,526	1.10	902,976	1.12	919,393	1.95	1,600,730
Cotton Yarn, English, Nos. 16–24	*Piculs*	8,218	44.25	363,666	23.16	190,329	19.43	159,676	21.86	179,645	51.63	424,295
,, Yarn, Indian	,,	1,628,783	26.04	42,406,135	19.08	31,077,180	19.62	31,956,722	...	31,956,722[1]	...	31,956,722[1]
Camlets, English	*Pieces*	55,553	11.56	642,401	10.98	609,972	8.41	467,201	11.97	664,969	13.85	769,409
Lastings	,,	34,849	9.33	325,225	9.88	344,308	6.86	239,064	9.37	326,535	11.53	401,809
Copper Ingots	*Piculs*	342,877	29.01	7,046,685	24.02	5,833,906	13.84	3,361,418	16.06	3,900,605	20.01	4,859,969
Iron, Nail-rod	,,	240,951	3.11	749,600	2.38	573,463	1.60	385,522	2	481,902	2.45	590,330
Lead, in Pigs	,,	163,702	5.71	935,085	4.96	811,962	3.46	566,409	4.43	725,200	4.88	798,866
Tin, in Slabs	,,	63,950	45.73	2,924,638	32.49	2,077,736	22.38	1,431,201	17.37	1,110,812	21.74	1,390,273
Tinplates	,,	138,945	6.15	854,796	3.96	550,222	3.31	459,908	4.58	636,368	5.47	760,029
Cotton, Raw, Bengal	,,	60,057	16.87	1,013,068	11.37	682,848	8.13	488,263	8.67	520,694	15.55	933,886
Flour	,,	937,946	3.83	3,591,071	3.17	2,973,289	3.15	2,954,530	3.63	3,404,744	4.06	3,808,061
Glass, Window	*Boxes*	96,068	4.20	403,343	2.74	263,226	2.03	195,018	2.22	213,271	2.76	265,148
Matches, Japan	*Gross*	20,287,402	0.23	4,743,209	0.21	4,260,354	0.19	3,854,606	...	3,854,606[1]	...	3,854,606[1]
Rice, Saigon	*Piculs*	3,356,830	2.50	8,379,530	1.85	6,210,136	1.13	3,793,218	1.18	3,961,059	1.97	6,612,955
Sugar, Refined	,,	1,261,112	5.42	6,838,723	5.79	7,301,838	7.19	9,067,395	5.18	6,532,560	5.58	7,037,005
Total				140,393,757		105,778,365		88,901,231		92,778,147		115,250,673
Average exchange of Haikwan tael			2s. 10⅝d.		3s. 3½d.		5s. 2d.		6s. 1d.		6s. 10d.	

[1] Average value of decade 1882-91.

2. COMPARATIVE VALUES OF THE PRINCIPAL ARTICLES OF EXPORT, 1862-1904

Commodities.	Classifier.	Quantity Exported in 1904.	Value in 1904.		Quantity Exported in 1904 at an Average Value of Decade:							
					1892 to 1901.		1882 to 1891.		1872 to 1881.		1862 to 1871.	
			Rate.	Amount.	Rate.	Amount.	Rate.	Amount.	Rate.	Amount.	Rate.	Amount.
			Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.
Bean-cake	*Piculs*	1,150,950	2.05	2,355,918	1.23	1,415,669	0.76	874,722	0.71	817,175	0.72	828,684
Beans	,,	1,923,721	2.56	4,926,805	1.54	2,981,768	0.95	1,846,772	0.91	1,769,823	1.06	2,058,381
Cassia Lignea	,,	76,078	13.91	1,057,995	7.75	589,605	4.34	330,179	7.17	545,479	12.46	947,932
Cotton, Raw	,,	1,228,588	20.20	24,811,595	12.45	15,295,921	10.72	13,170,463	9.52	11,696,158	15.56	19,116,829
Fire-crackers and Fire-works	,,	134,925	20.14	2,717,906	10.31	1,391,077	9.31	1,256,152	8.41	1,134,719	6.56	885,108
Hides	,,	279,976	25.51	7,142,420	12.96	3,628,489	10.82	3,029,340	9.86	2,760,563	12.94	3,622,889
Matting	*Rolls*	473,440	7.16	3,389,642	3.85	1,823,029	3.40	1,609,696	3.37	1,595,493	3.56	1,685,446
Musk	*Catties*	1,535	278.95	428,189	169.21	259,737	90.78	139,347	79.95	122,723	54.30	81,816
Nankeens	*Piculs*	27,984	51.22	1,433,428	42.33	1,184,563	39.50	1,105,368	38.87	1,087,738	40.87	1,143,706
Nutgalls	,,	41,498	17.98	746,284	16.02	664,798	9.71	402,946	7.23	300,030	7.78	322,854
Oils, Expressed	,,	459,191	9.32	4,278,414	6.13	2,814,841	4.71	2,162,790	4.64	2,130,646	6.39	2,924,230
Rhubarb	,,	8,105	12.10	98,057	27.73	224,752	36.34	294,536	36.62	296,805	38.06	308,476
Silk, Raw, White	,,	34,238	571.93	19,581,790	347.92	11,912,085	293.56	10,050,907	334.24	11,443,709	386.79	13,242,916
,, ,, Filature	,,	47,287	603.25	28,526,115	508.93	24,065,773	*	20,311,704	*	23,127,426	*	26,809,524
,, ,, Yellow	,,	10,374	323.63	3,357,323	200.79	2,082,995	198.63	2,060,588	164.95	1,711,191	247.26	2,555,075
,, Cocoons	,,	11,015	85.85	945,685	67.92	748,139	57.61	634,574	76.93	847,384	88.16	971,082
Straw Braid	,,	86,110	52.29	4,502,820	38.83	3,343,651	25.25	2,174,278	20.50	1,765,255	20.36	1,753,200
Sugar, Brown	,,	321,652	3.46	1,113,608	2.86	919,925	2.51	807,347	2.68	862,027	2.57	826,646
,, Candy	,,	715	8.17	5,843	6.25	4,469	5.56	3,975	5.45	3,897	7.14	5,105
,, White	,,	43,539	5.44	236,728	4.57	198,973	3.97	172,850	4.61	200,715	4.28	186,347
Tea, Black	,,	749,002	22.12	16,567,796	20.25	15,167,291	16.64	12,463,393	19.99	14,972,550	24.73	18,522,819
,, Green	,,	241,146	39.27	9,469,737	24.67	5,949,072	19.44	4,687,878	24.38	5,879,139	34.73	8,395,001
,, Brick	,,	447,695	8.90	3,983,756	8.64	3,868,085	6.47	2,896,587	9.43	4,221,764	9.08	4,065,071
Tobacco, Leaf and Prepared	,,	160,676	15.97	2,565,400	10.34	1,661,390	11.65	1,871,875	11.24	1,805,998	15.95	2,562,782
Wax, White	,,	4,825	55.91	269,760	75.67	365,108	44.41	214,278	47.06	227,065	108.99	525,877
Wool, Sheep's	,,	260,976	17.64	4,602,344	10.39	2,711,541	8.40	2,192,198	6.79	1,772,027	10.15	2,648,906
Total				149,115,358		105,272,746		86,764,743		93,097,499		117,016,702
Average exchange of Haikwan tael			2s. 10¼d.		3s. 3½d.		5s. 2d.		6s. 1d.		6s. 10d.	

ABSTRACT OF STATISTICS

ANNUAL VALUE OF THE FOREIGN TRADE OF CHINA, 1896 TO 1905

Year.	Net Imports.[1]	Exports.	Total.
	Hk.tls.	Hk.tls.	Hk.tls.
1896 . . .	202,589,994	131,081,421	333,671,415
1897 . . .	202,828,625	163,501,358	366,329,683
1898 . . .	209,579,334	159,037,149	368,616,483
1899 . . .	264,748,456	195,784,832	460,533,288
1900 . . .	211,070,422	158,996,752	370,067,174
1901 . . .	268,302,918	169,656,757	437,959,675
1902 . . .	315,363,905	214,181,584	529,545,489
1903 . . .	326,739,133	214,352,467	541,091,600
1904 . . .	344,060,608	239,486,683	583,547,291
1905 . . .	447,100,791	227,888,197	674,988,988

The above amounts do not include the value of goods carried coastwise, nor, prior to 1904, did they comprise the whole extent of the foreign trade, inasmuch as there were vessels of Chinese type, which were not within the control of the Imperial Maritime Customs, plying between foreign and Chinese (both treaty and non-treaty) ports. From 1904 the whole foreign trade of China is included, with the exception of a small residuum carried in native craft between Formosa, Korea, etc., and a few non-treaty ports not under the control of the Imperial Maritime Customs.

[1] Net imports, *i.e.* the value of the foreign goods imported direct from foreign countries, *less* the value of the foreign goods re-exported to foreign countries, during the year.

Country.		1898.		1899.		1900.	
		Hk.tls.	Total Hk.tls.	Hk.tls.	Total Hk.tls.	Hk.tls.	Total Hk.tls.
Hong-Kong[1]	Imports from	97,214,017	159,297,529	118,096,208	189,941,766	93,846,617	157,808,251
	Exports to	62,083,512		71,845,558		63,961,634	
Macao	Imports from	3,347,717	8,729,676	3,408,516	9,233,003	2,236,289	6,946,648
	Exports to	5,381,959		5,824,487		4,710,359	
French Indo-China	Imports from	923,484	1,704,955	1,611,140	2,556,684	986,445	2,250,278
	Exports to	781,471		945,544		1,302,833	
Siam	Imports from	206,394	905,260	67,347	970,878	5,669	720,745
	Exports to	698,866		903,531		715,076	
Singapore, Straits, etc.	Imports from	2,620,128	4,771,758	3,646,195	5,877,987	2,625,258	5,060,613
	Exports to	2,151,630		2,231,792		2,435,355	
Dutch Indies	Imports from	1,445,039	1,792,364	629,129	984,439	599,999	933,026
	Exports to	347,325		355,310		333,027	
British India	Imports from	19,135,546	20,459,671	31,911,214	33,642,712	16,816,029	19,681,374
	Exports to	1,324,125		1,731,498		2,865,345	
Turkey, Persia, Egypt, Aden, etc.	Imports from	47,347	1,052,480	34,404	1,801,968	48,875	1,845,025
	Exports to	1,005,133		1,767,564		1,800,550	
Great Britain	Imports from	34,962,474	45,678,426	40,161,115	54,123,662	45,467,409	54,823,837
	Exports to	10,715,952		13,962,547		9,356,428	
Norway	Imports from	..	..	..	..	..	..
	Exports to						
Sweden	Imports from						
	Exports to						
Denmark	Imports from						
	Exports to						
Germany	Imports from						
	Exports to						
Netherlands	Imports from						
	Exports to						
Belgium	Imports from						
	Exports to						
France	Imports from						
	Exports to						
Spain (including Gibraltar)	Imports from						
	Exports to						
Portugal	Imports from						
	Exports to						
Switzerland	Imports from						
	Exports to						
Italy	Imports from						
	Exports to						
Austria and Hungary	Imports from						
	Exports to						

[1] The imports from Hong-Kong come originally from, and the exports to that colony are further carried on to, G addition to the imports, to which the values given in the above Table are confined, the south of China is supplied

1901.		1902.		1903.		1904.		1905.	
Hk.tls.	Total Hk.tls.	Hk.tls.	Total Hk.tls.	Hk.tls.	Total Hk.tls.	Hk.tls.	Total Hk.tls.	Hk.tls.	Total Hk.tls.
[illegible]		133,524,169		136,520,453		141,085,010		148,071,198	
[illegible]		82,657,375		89,195,605		86,858,017		81,452,643	
	191,764,987		216,181,544		225,716,058		227,943,027		229,523,841
[illegible]		2,490,550		2,484,993		2,894,593		2,921,923	
[illegible]		4,972,068		4,661,254		5,058,741		4,823,693	
	7,107,656		7,462,618		7,146,247		7,953,334		7,745,616
[illegible]		1,851,104		1,731,376		1,754,750		1,653,572	
[illegible]		1,202,362		1,455,512		2,953,718		2,324,692	
	2,342,836		3,053,466		3,186,888		4,708,468		3,978,264
[illegible]		980,691		116,774		258,259		247,847	
[illegible]		930,702		1,108,555		1,298,013		1,258,790	
	1,017,466		1,911,393		1,225,329		1,556,272		1,506,637
[illegible]		4,108,926		3,803,322		4,061,919		4,061,088	
[illegible]		3,026,922		3,498,435		3,667,151		3,803,481	
	6,512,842		7,135,848		7,301,757		7,729,070		7,864,569
[illegible]		1,309,940		3,711,886		5,167,718		4,490,324	
[illegible]		503,346		455,679		389,644		546,526	
	899,166		1,813,286		4,167,565		5,557,362		5,036,850
[illegible]		33,037,439		33,856,203		32,219,712		34,798,437	
[illegible]		2,832,274		1,944,043		2,386,781		2,720,540	
	32,097,727		35,869,713		35,800,246		34,606,493		37,518,977
[illegible]		135,558		218,373		1,142,395		113,707	
[illegible]		1,563,808		2,453,935		4,390,649		2,031,587	
	2,103,617		1,699,366		2,672,308		5,533,044		2,145,294
[illegible]		57,624,610		50,603,772		57,220,955		86,472,343	
[illegible]		10,344,375		10,024,095		15,269,963		18,064,270	
	49,784,583		67,968,985		60,627,867		72,490,918		104,536,613
..	..	..	..	..	..	..	..	69,642	
								140	69,782
								2,058	
								3,820	5,878
								47,649	
								23,952	71,601
								14,846,075	
								5,377,649	20,223,724
								1,468,127	
								493,204	1,961,331
								9,554,334	
								2,266,686	11,821,020
								3,811,634	
								18,872,233	22,683,867
								478	
								67,813	68,291
								2,397	
								..	2,397
								27,975	
								249,176	277,151
								424,794	
								8,170,304	8,595,098
								1,340,511	
								488,111	1,828,622

a, the continent of Europe, America, Japan, Australia, India, the Straits, etc., and coast ports of China. In
and other articles imported from Singapore, Siam, and other foreign places in native vessels.

Country.		1898.		1899.		1900.	
		Hk.tls.	Total Hk.tls.	Hk.tls.	Total Hk.tls.	Hk.tls.	Tota Hk.tl
Continent of Europe, Russia excepted[1]	Imports from	9,397,792		10,172,398		10,273,405	
	Exports to	25,929,114	35,326,906	36,763,506	46,935,904	24,976,619	35,250,
Russia, European Ports	Imports from	1,454,281		3,233,239		4,236,507	
	Exports to	5,004,991	6,459,272	5,343,480	8,576,719	6,390,272	10,626,
Russia and Siberia by land frontier	Imports from	665		..		..	
	Exports to	9,795,790	9,796,455	9,987,706	9,987,706	832,461	832,
Russia, Pacific Ports	Imports from	299,142		289,165		136,956	
	Exports to	2,997,426	3,296,568	3,225,806	3,514,971	5,151,382	5,288,
Korea	Imports from	952,307		807,446		1,188,538	
	Exports to	1,086,748	2,039,055	729,418	1,536,864	804,060	1,992,
Japan (including Formosa)	Imports from	27,376,063		35,896,745		25,752,694	
	Exports to	16,092,778	43,468,841	17,251,144	53,147,889	16,938,053	42,690,
Philippine Islands	Imports from	14,133		21,641		12,815	
	Exports to	85,718	99,851	61,629	83,270	113,831	126,
Canada	Imports from	1,964,914		1,208,865		653,591	
	Exports to	367,810	2,332,724	259,519	1,468,384	457,589	1,111,
United States of America (including Hawaii)	Imports from	17,163,312		22,288,745		16,724,493	
	Exports to	11,986,771	29,150,083	21,685,715	43,974,460	14,751,631	31,476,
Mexico and Central America (including Panama)	Imports from	..		..		..	
	Exports to	..	..	..	..	..	..
South America	Imports from	..		..		..	
	Exports to	..	..	2,387	2,387	15,068	15,
Australia, New Zealand, etc.	Imports from	220,592		272,553		517,884	
	Exports to	914,037	1,134,629	670,078	942,631	861,020	1,378
South Africa (including Mauritius)	Imports from	..		..		..	
	Exports to	285,993	285,993	236,613	236,613	224,159	224
Total Imports		218,745,347		273,756,065		222,129,473	
Less Re-exports to Foreign Countries		9,166,013		9,007,609		11,059,051	
Total: Foreign Countries	Net Imports	209,579,334		264,748,456		211,070,422	
	Exports	159,037,149	368,616,483	195,784,832	460,533,288	158,996,752	370,067

[1] The trade with the several countries of the con

WITH EACH COUNTRY, 1898 TO 1905—*Continued*

1901.		1902.		1903.		1904.		1905.	
Hk.tls.	Total Hk.tls.	Hk.tls.	Total Hk.tls.	Hk.tls.	Total Hk.tls.	Hk.tls.	Total Hk.tls.	Hk.tls.	Total Hk.tls.
17,046,453		18,484,678		22,350,983		23,512,933		31,595,674	
29,268,913	46,315,366	39,728,637	58,213,315	34,573,445	56,924,428	44,512,544	68,025,477	36,013,088	67,608,762
3,004,315		889,016		1,959,104		4,414,212		1,945,066	
4,830,632	7,834,947	3,793,905	4,682,921	4,138,653	6,097,757	2,812,261	7,226,473	3,555,978	5,501,044
8,885		..		2,716		..		..	
1,701,814	1,710,699	4,267,090	4,267,090	6,383,793	6,386,509	2,203,129	2,203,129	2,923,478	2,923,478
346,979		345,518		393,180		53,264		71,946	
2,748,354	3,095,333	2,850,611	3,196,129	2,255,521	2,648,701	40,972	94,236	2,952,661	3,024,607
513,516		1,260,999		1,416,496		879,320		1,753,701	
1,178,608	1,692,124	1,043,428	2,304,427	1,268,453	2,684,949	1,390,695	2,270,015	2,185,927	3,939,628
32,567,656		35,342,283		50,298,343		50,164,056		61,315,248	
16,875,725	49,443,381	28,728,294	64,070,577	30,433,445	80,731,778	37,986,858	88,150,914	35,464,963	96,780,211
13,615		857,768		513,999		775,348		825,692	
83,674	97,289	148,325	1,006,093	361,746	875,745	305,409	1,080,757	141,285	966,977
1,635,457		2,832,511		627,472		2,162,174		2,387,658	
181,348	1,816,805	365,612	3,198,123	454,356	1,081,828	531,561	2,693,735	406,391	2,794,049
23,529,606		30,138,713		25,871,278		29,180,946		76,916,838	
16,572,988	40,102,594	24,940,152	55,078,865	19,528,116	45,399,394	27,087,975	56,268,921	27,030,772	103,947,610
..		..		..		..		..	
..	..	..	..	..	..	..	..	47,168	47,168
..		30,000		..		..		..	
9,516	9,516	74,725	104,725	4,948	4,948	26,033	26,033	13,084	13,084
574,362		301,838		372,411		494,856		1,538,747	
173,424	747,786	23,955	325,793	100,391	472,802	218,290	713,146	71,928	1,610,675
..		..		..		2,243		13,523	
399,772	399,772	183,618	183,618	52,497	52,497	98,279	100,552	55,252	68,775
77,139,735		325,546,311		336,853,134		357,444,663		461,194,532	
8,836,817		10,182,406		10,114,001		13,384,055		14,093,741	
268,302,918		315,363,905		326,739,133		344,060,608		447,100,791	
169,656,757	437,959,675	214,181,584	529,545,489	214,352,467	541,091,600	239,486,683	583,547,291	227,888,197	674,988,988

of Europe was not separately recorded prior to 1905.

Foreign Goods: Imports from and Re-exports to Foreign Countries

Description of Goods.	Classifier of Quantity.	1904. Net Imports.		1905. Imports.		1905. Re-exports.		1905. Net Imports.	
		Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
Opium.			Hk.tls.		Hk.tls.		Hk.tls.		Hk.tls.
Benares	Piculs	9,613	6,161,982	11,427	6,606,332	120	69,240	11,307	6,537,092
Malwa	,,	22,090	16,097,055	16,075	12,988,721	110	88,735	15,965	12,899,986
Patna	,,	19,956	13,160,719	23,000	13,786,486	72	42,690	22,928	13,743,796
Other kinds	,,	3,107	1,674,416	1,783	938,108	93	48,961	1,690	889,147
Total: Opium	,,	54,766	37,094,173	52,285	34,319,647	395	249,626	51,890	34,070,021
Cotton Goods.									
Shirtings, Grey, Plain, American	Pieces	231,888	672,408	462,474	1,303,286	2,480	7,623	459,994	1,295,663
,, ,, ,, English	,,	3,538,035	9,725,901	6,769,268	18,469,546	494,969	1,526,609	6,274,297	16,942,937
,, ,, ,, Indian	,,	7,405	22,406	72,214	232,990	...	...	72,214	232,990
,, ,, ,, Japanese	,,	6,401	15,020	17,059	52,001	...	...	17,059	52,001
,, ,, ,, other kinds	,,	2,000	5,358	4,883	15,441	480	1,608	4,403	13,833
Sheetings, Grey, Plain, American	,,	2,003,791	6,701,797	8,435,660	28,123,435	91,165	306,482	8,344,495	27,816,953
,, ,, ,, English	,,	547,457	1,843,593	493,905	1,602,981	33,211	107,868	460,694	1,495,113
,, ,, ,, Indian	,,	51,318	143,539	149,969	443,405	375	1,106	149,594	442,299
,, ,, ,, Japanese	,,	214,502	602,654	460,112	1,332,858	6,750	19,575	453,362	1,313,283
,, ,, ,, other kinds	,,	4,000	13,785	21,335	64,005	600	1,800	20,735	62,205
Shirtings, White, Plain	,,	2,767,971	10,824,345	4,629,404	16,982,812	255,557	1,299,151	4,373,847	15,683,661
,, ,, Figured, Brocaded, Striped, and Spotted	,,	7,094	29,020	8,201	38,818	438	2,163	7,763	36,655
Drills, American	,,	1,309,718	4,925,633	3,394,811	12,252,763	33,615	123,091	3,361,196	12,129,672
,, English	,,	129,949	415,488	338,353	1,105,809	53,602	174,561	284,751	931,248
,, Indian	,,	65,529	220,949	60,516	208,788	...	...	60,516	208,788
,, Japanese	,,	159,999	574,342	97,799	333,310	1,120	4,480	96,679	328,830
,, other kinds	,,	9,610	32,624	68,458	214,789	1,730	5,042	66,728	209,747

Jeans, American	,,	158,151	484,079	382,848	1,270,331	440	1,431	382,408	1,268,900
,, English	,,	360,682	1,060,944	815,367	2,304,370	1,462	3,962	813,905	2,300,408
,, Indian	,,	...	...	900	3,410	...	...	900	3,410
,, other kinds	,,	10,638	26,129	74,099	180,119	60	141	74,039	179,978
7/8-Cloths, 32 inches, American	,,	...	...	18,000	27,360	...	...	18,000	27,360
,, ,, English	,,	534,101	1,091,224	1,123,918	2,506,659	7,018	12,575	1,116,900	2,494,084
,, ,, Indian	,,	57,851	87,028	365,827	568,285	...	...	365,827	568,285
,, ,, Japanese	,,	225,534	320,177	214,020	360,244	840	1,344	213,180	358,900
,, ,, other kinds	,,	3,401	8,636	5,761	12,022	...	...	5,761	12,022
,, 36 inches, English	,,	230,825	564,630	223,631	507,967	...	...	223,631	507,967
,, ,, Indian	,,	1,358	3,667	1,585	4,491	...	...	1,585	4,491
,, ,, Japanese	,,	876	1,152	300	900	...	...	300	900
,, ,, other kinds	,,	...	...	217	508	...	...	217	508
Cambrics, Lawns, and Muslins, White, Dyed, and Printed	,,	203,598	222,566	362,750	302,400	99,014	79,034	263,736	223,366
Lenos and Balzarines, White, Dyed, and Printed	,,	82,363	200,098	105,503	240,423	26,791	48,757	78,712	191,666
Chintzes and Plain Cotton Prints	,,	377,520	907,050	491,640	1,099,077	3,451	7,976	488,189	1,091,101
Printed Drills, Furnitures, and Twills	,,	95,458	192,592	159,154	326,942	1,154	2,392	158,000	324,550
,, Sateens, Reps, etc.	,,	80,896	524,663	97,582	436,122	1,014	4,512	96,568	431,610
,, 7/8-Cloths	,,	191,787	370,310	254,157	495,606	5,168	10,078	248,989	485,528
Turkey Red Cottons and Dyed 7/8-Cloths	,,	525,565	1,263,041	700,380	1,491,673	9,092	19,566	691,288	1,472,107
Cotton Italians, Plain, Fast Black	,,	1 297,461	7,276,045	1,562,539	7,652,532	26,609	127,989	1,535,930	7,524,543
,, Lastings, Plain	,,	344,186	1,841,983	535,320	2,472,274	51,094	207,597	484,226	2,264,677
,, ,, Figured	,,	1,051,364	4,510,238	1,480,027	5,439,879	37,392	164,131	1,448,635	5,275,748
Shirtings, Dyed, Plain	,,	76,193	303,614	190,477	772,883	240	972	190,237	771,911
,, Hong-Kong-dyed, Plain	,,	158,421	470,277	145,818	431,980	1,140	3,420	144,678	428,560
,, Dyed, Figured, Brocaded, and Spotted	,,	75,166	298,607	56,302	261,820	341	1,603	55,961	260,217
Cotton Spanish Stripes, 64 inches	,,	44,091	191,173	36,280	139,681	118	452	36,162	139,229
Cotton Flannel, Plain, Dyed, and Printed	,,	529,989	1,983,064	604,022	2,237,224	5,659	20,993	598,363	2,216,231
,, ,, Plain, Dyed, and Printed, Japanese	,,	131,675	419,693	93,658	269,759	1,641	4,759	92,017	265,000
,, ,, Striped	,,	56,204	165,777	98,815	311,123	1,898	5,979	96,917	305,144
,, ,, ,, Japanese	,,	55,396	127,818	59,318	146,830	...	...	59,318	146,830

Foreign Goods: Imports from and Re-exports to Foreign Countries—*Continued*

Description of Goods.	Classifier of Quantity.	1904. Net Imports. Quantity.	1904. Net Imports. Value.	1905. Imports. Quantity.	1905. Imports. Value.	1905. Re-exports. Quantity.	1905. Re-exports. Value.	1905. Net Imports. Quantity.	1905. Net Imports. Value.
Cotton Goods—*Continued.*			Hk.tls.		Hk.tls.		Hk.tls.		Hk.tls.
Fancy Woven Cottons	Yards	1,622,689	168,592	2,661,410	261,873	93,660	11,289	2,567,750	250,584
Japanese Cotton Cloth	,,	1,477,254	92,948	1,390,485	89,764	18,633	1,035	1,371,852	88,729
,, ,, Crape	,,	1,262,975	98,909	1,245,540	96,105	8,510	596	1,237,030	95,509
Velvets, 22 inches	,,	2,897,594	602,401	3,191,717	643,329	22,088	4,732	3,169,629	638,597
Velveteens, 18 in. and 26 in.	,,	309,105	57,757	487,257	90,313	9,390	2,273	477,867	88,040
,, Embossed, and Dyed Velvet Cords	,,	627,741	220,310	592,137	177,669	48,419	14,526	543,718	163,143
Cotton Blankets	Pieces	522,694	327,568	1,124,296	571,587	44,126	21,437	1,080,170	550,150
Handkerchiefs	Dozens	582,086	272,009	872,095	367,297	4,108	1,440	867,987	365,857
,, Japanese	,,	29,265	12,527	57,535	18,058	54	16	57,481	18,042
Towels, Honeycomb and Huckaback	,,	377,955	155,076	319,331	132,768	6,432	2,251	312,899	130,517
,, Honeycomb and Huckaback, Japanese	,,	158,635	88,707	256,163	146,920	6,118	3,365	250,045	143,555
,, other kinds	,,	603,595	280,680	739,034	346,690	3,404	1,827	735,630	344,863
Cotton Goods, Unclassed	Value	...	505,116	...	631,552	...	6,291	...	625,261
,, Yarn, English	Piculs	8,218	363,666	22,075	824,494	238	9,064	21,837	815,430
,, ,, Hong-Kong	,,	4,855	118,226	3,239	77,727	...	...	3,239	77,727
,, ,, Indian	,,	1,628,783	42,406,135	1,867,309	48,078,199	20,463	521,807	1,846,846	47,556,392
,, ,, Japanese	,,	638,729	15,973,390	684,671	17,875,631	3,229	84,263	681,442	17,791,368
,, ,, other kinds	,,	293	25,931	454	36,434	21	1,712	433	34,722
Wooloa or Berlinette	,,	125	11,051	372	27,487	...	...	372	27,487
Cotton Thread, in Balls	,,	309	21,275	933	85,468	4	400	929	85,068
,, ,, on Spools	Gross	256,243	595,894	431,122	841,721	10,645	20,918	420,476	820,803
Total: Cotton Goods	Hk.tls.	...	124,083,305	...	186,473,017	...	5,020,064	...	181,452,953

WOOLLEN AND COTTON MIXTURES.									
Alpacas, Lustres, and Orleans	Yards	657,406	164,592	768,042	198,586	15,076	3,772	752,966	194,814
Union and Poncho Cloth	,,	343,034	207,336	823,075	371,295	25,267	11,370	797,808	359,925
,, Italian Cloth	Pieces	40,987	404,024	25,372	239,764	1,521	14,373	23,851	225,391
Woollen and Cotton Flannel	Yards	91,482	28,355	194,867	67,540	4,493	1,123	190,374	66,417
,, ,, Mixtures, Unclassed	,,	511,098	228,575	743,957	352,775	13,168	5,888	730,789	346,887
Total: Woollen and Cotton Mixtures	Hk.tls.	...	1,032,882	...	1,229,960	...	36,526	...	1,193,434
WOOLLEN GOODS.									
Blankets and Rugs	Pounds	572,654	276,770	1,428,033	562,490	204,339	88,343	1,223,694	474,147
Bunting	Pieces	1,242	6,091	1,609	7,965	8	40	1,601	7,925
Camlets, Dutch	,,	4	65	68	857	...	...	68	857
,, English	,,	55,553	642,401	43,670	551,878	789	9,942	42,881	541,936
Cloth, Broad, Medium, Habit, and Russian	Yards	390,313	570,962	602,122	872,680	12,927	16,784	589,195	855,896
Flannel	,,	117,745	40,434	157,195	59,212	6,243	2,497	150,952	56,715
Lastings	Pieces	34,849	325,225	45,218	463,657	3,058	31,344	42,160	432,313
Long Ells	,,	132,823	736,293	78,035	436,615	354	1,930	77,681	434,685
Spanish Stripes	Yards	757,732	477,288	834,112	468,570	1,031	570	833,081	468,000
Woollen Goods, Unclassed	,,	448,274	314,115	455,369	336,221	18,947	21,684	436,422	314,537
,, and Worsted Yarn and Cord	Piculs	7,368	771,675	6,134	654,568	7	828	6,127	653,740
Total: Woollen Goods	Hk.tls.	...	4,161,319	...	4,414,713	...	173,962	...	4,240,751
MISCELLANEOUS PIECE GOODS.									
Canvas	Yards	449,521	112,506	986,916	220,480	58,123	12,117	928,793	208,363
Gunny Cloth	,,	2,239,842	136,066	2,635,907	159,382	1,105	66	2,634,802	159,316
Linen Goods and Mixtures	,,	94,856	17,870	101,721	19,528	2,274	387	99,447	19,141
Plushes	Catties	283,716	622,122	421,803	586,108	12,529	29,647	409,274	556,461
Silk Piece Goods and Mixtures	,,	197,398	991,542	230,468	1,025,889	4,629	18,861	225,839	1,007,028
Silk-stripe Cotton Cloth, Japanese	,,	32,387	27,953	13,704	12,226	737	590	12,967	11,636
Miscellaneous Piece Goods, Unclassed	Value	...	50,800	...	77,255	...	3,200	...	74,055
Total: Miscellaneous Piece Goods	Hk.tls.	...	1,958,859	...	2,100,868	...	64,868	...	2,036,000

FOREIGN GOODS: IMPORTS FROM AND RE-EXPORTS TO FOREIGN COUNTRIES—*Continued*

Description of Goods.	Classifier of Quantity.	1904. Net Imports.		1905. Imports.		1905. Re-exports.		1905. Net Imports.	
		Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
METALS.			Hk.tls.		Hk.tls.		Hk.tls.		Hk.tls.
Brass and Yellow Metal :—									
Bars, Rods, Sheets, Plates, and Nails	Piculs	18,288	487,767	17,288	436,885	...	...	17,288	436,885
Wire	,,	2,989	76,459	2,669	73,801	2	41	2,667	73,760
Unclassed	,,	10,854	177,890	7,513	139,059	79	1,371	7,434	137,688
Copper :—									
Bars, Rods, Sheets, Plates, and Nails	,,	31,033	1,048,995	19,388	724,892	219	7,260	19,169	717,632
Ingots, Slabs, and Ore	,,	242,877	7,046,685	749,356	21,951,712	19,038	558,742	730,318	21,392,970
Wire	,,	1,499	52,635	1,386	52,341	3	113	1,383	52,228
Unclassed[1]	,,	15,618	608,642	215,157	9,023,392	23	443	215,134	9,022,949
Iron and Mild Steel, New :—									
Anchors, Anvils, Chains, and Forgings	,,	10,467	66,341	10,952	63,407	50	417	10,902	62,990
Bars	,,	164,013	490,686	246,546	637,968	4,574	11,924	241,972	626,044
Castings, Rough	,,	241	1,075	326	3,578	5	118	321	3,460
Cobbles and Wire Shorts	,,	122,111	309,279	145,772	321,559	1,693	3,652	144,079	317,907
Hoops	,,	40,718	161,018	47,074	176,418	557	2,088	46,517	174,330
Nail-rod	,,	240,951	749,600	286,949	733,199	...	...	286,949	733,199
Nails and Rivets	,,	108,946	465,495	191,796	771,214	11,364	44,381	180,432	726,833
Pig and Kentledge	,,	79,601	123,932	64,188	93,069	1,932	2,801	62,256	90,268
Pipes and Tubes	,,	44,883	204,231	27,019	117,286	33	185	26,986	117,101
Plate Cuttings	,,	324,356	726,342	380,193	779,570	8,695	17,825	371,498	761,745
Rails	,,	3,889	34,002	235,625	589,063	...	...	235,625	589,063
Sheets and Plates	,,	101,577	311,141	181,790	503,466	2,882	7,981	178,908	495,485
Wire	,,	39,702	202,386	54,332	253,094	293	1,362	54,039	251,732
Unclassed	,,	25,601	166,350	42,923	268,236	279	2,096	42,644	266,140

Iron and Mild Steel, Old	,,	685,283	1,299,762	797,628	1,500,645	4,116	7,549	793,512	1,493,096
,, Galvanised: Sheets	,,	43,641	248,838	144,897	790,451	22,544	120,367	122,353	670,084
,, ,, Wire	,,	14,568	79,305	12,817	50,693	38	148	12,779	50,545
Lead, in Pigs and Bars	,,	163,702	935,085	141,214	734,438	359	1,866	140,855	732,572
,, Tea and Sheet	,,	2,772	18,319	2,438	14,258	4	24	2,434	14,234
Nickel	,,	1,903	140,689	2,170	146,367	137	9,207	2,033	137,160
Quicksilver	,,	1,317	139,035	1,204	118,293	33	3,214	1,171	115,079
Spelter	,,	14,326	129,632	33,556	310,087	1,084	9,975	32,472	300,112
Steel: Bamboo, Bars, Hoops, Sheets, and Plates	,,	56,038	382,100	71,930	421,868	1,914	12,353	70,016	409,515
,, Tool, Cast, Wire, and Wire Rope	,,	7,035	130,241	10,338	159,036	81	1,382	10,257	157,654
Tin, in Slabs	,,	63,950	2,924,638	54,193	2,330,306	23	1,117	54,170	2,329,189
Tinned Plates	,,	138,945	854,796	182,188	1,065,344	7,545	43,780	174,643	1,021,564
White Metal or German Silver	,,	4,624	225,635	6,893	325,966	110	5,043	6,783	320,923
Zinc, Sheets and Plates	,,	6,587	76,593	5,143	61,938	576	6,697	4,567	55,241
Metals, Unclassed	,,	10,400	139,156	26,117	575,332	689	3,711	24,428	571,621
Total: Metals	Hk.tls.	...	21,234,775	...	46,318,231	...	889,233	...	45,428,998
SUNDRIES.									
Bags of all kinds	Pieces	11,850,327	961,661	25,110,950	2,200,908	1,488,057	168,485	23,622,893	2,032,423
Betel-nuts	Piculs	58,073	296,449	60,720	273,088	89	394	60,631	272,694
Bicho de mer	,,	35,599	1,152,700	40,685	1,262,045	166	5,664	40,519	1,256,381
Birds' Nests	Catties	107,810	756,192	92,967	722,632	801	9,583	92,166	713,049
Books and Charts	Value	...	264,297	...	371,135	...	18,503	...	352,632
Boxes, Fancy	Gross	116,662	169,504	134,474	211,564	887	1,485	133,587	210,079
Braid, Llama	Value	...	596,740	...	668,213	...	182	...	668,031
Bran, Rice	Piculs	2,311,658	2,311,658	1,746,181	1,745,898	...	...	1,746,181	1,745,898
Building Materials and Fittings	Value	...	251,590	...	370,853	...	6,561	...	364,292
Butter and Cheese	,,	...	340,875	...	377,452	...	49,137	...	328,315
Buttons, Brass and Fancy	Gross	1,367,848	573,810	1,640,879	494,911	13,461	4,086	1,627,418	490,825
Candles	Value	...	562,705	...	1,476,262	...	92,208	...	1,384,054
Carpets and Carpeting	,,	...	61,801	...	85,423	...	6,921	...	78,502
Carriages, Bicycles, etc., and Materials	,,	...	181,620	...	221,538	...	3,077	...	218,461
Cement	Piculs	262,197	274,449	557,742	558,419	3,891	3,891	553,851	554,528

FOREIGN GOODS: IMPORTS FROM AND RE-EXPORTS TO FOREIGN COUNTRIES—*Continued*

Description of Goods	Classifier of Quantity.	1904. Net Imports. Quantity.	1904. Net Imports. Value.	1905. Imports. Quantity.	1905. Imports. Value.	1905. Re-exports. Quantity.	1905. Re-exports. Value.	1905. Net Imports. Quantity.	1905. Net Imports. Value.
SUNDRIES—*Continued.*			Hk.tls.		Hk.tls.		Hk.tls.		Hk.tls.
Charcoal	Piculs	139,183	139,168	193,495	193,276	...	...	193,495	193,276
Chemical Products (not including Match-making Materials, Medicines, and Soda)	Value	...	228,373	...	297,165	...	1,740	...	295,425
Chinaware, Fine and Coarse (including Crockery and Earthenware)	,,	...	298,534	...	541,515	...	4,617	...	536,898
Cigarettes	,,	...	2,898,229	...	4,427,171	...	50,796	...	4,376,375
Cigars	,,	...	381,484	...	381,466	...	23,262	...	358,204
Clocks and Watches	Pieces	301,469	654,827	428,736	923,541	12,865	35,090	415,871	888,451
Clothing, Hats, etc. (not including Shoes and Boots)	Value	...	686,577	...	1,136,477	...	46,493	...	1,089,984
Cloves and Spices	Piculs	16,994	377,975	17,271	383,557	266	11,598	17,005	371,959
Coal	Tons	1,250,619	7,022,314	1,314,032	7,564,645	104,164	641,625	1,209,868	6,923,020
Coke	,,	10,084	138,361	14,250	199,073	10	140	14,240	198,933
Cordage	Piculs	5,288	112,655	15,934	213,276	309	6,682	15,625	206,594
Cotton Gins and Parts	Value	...	218,075	...	130,245	...	15	...	130,230
,, Raw	Piculs	60,057	1,013,068	92,590	1,570,894	2,009	30,752	90,581	1,540,142
Cutlery and Electro-plated ware	Value	...	96,379	...	204,624	...	13,853	...	190,771
Dyes, Colours, and Paints :—									
Bark, Mangrove	Piculs	182,021	277,095	127,977	211,167	533	879	127,444	210,288
Cinnabar	,,	2,761	215,161	2,447	208,014	18	1,558	2,429	206,456
Dyes, Aniline	Value	...	1,864,501	...	2,626,545	...	78,012	...	2,548,533
Indigo, Artificial	Piculs	18,819	1,001,833	36,438	1,726,950	18	752	36,420	1,726,198
,, Vegetable	,,	78,447	474,381	75,691	384,991	...	...	75,691	384,991
Sapanwood	,,	46,217	109,707	40,730	95,818	58	136	40,672	95,682
Vermilion	,,	2,960	249,478	3,345	259,331	18	1,416	3,327	257,915
Dyes, Unclassed	,,	63,428	337,711	53,724	339,013	89	1,080	53,635	337,933

Colours ,, . . .	,,	12,781	110,893	9,129	119,868	104	2,157	9,025	117,711
Paints and Paint Oil . .	,,	166,203	532,765	59,570	574,220	704	7,200	58,866	567,020
Electrical Materials and Fittings	Value	...	347,078	...	490,818	...	9,365	...	481,453
Elephants' Teeth and Tusks .	Piculs	597	200,036	517	204,476	12	4,514	505	199,962
Enamelled ware . . .	Value	...	248,593	...	544,599	...	23,294	...	521,305
Fans, Palm-leaf . . .	Pieces	35,236,657	225,819	35,610,993	198,372	...	...	35,610,993	198,372
Fish and Fishery Products (not including Bicho de mer, Isinglass, and Seaweed) .	Piculs	436,446	5,510,956	1,946,883	8,850,687	1,338	22,145	1,945,545	8,828,542
Flour	,,	937,946	3,591,071	988,423	3,938,277	56,662	232,118	931,761	3,706,159
Fruits, Dried	Value	...	258,223	...	369,619	...	1,259	...	368,360
Furniture, and Materials for making	,,	...	639,650	...	928,161	...	72,115	...	856,046
Ginseng	Catties	416,045	1,412,384	318,043	2,435,967	25,206	435,684	292,837	2,000,283
Glass, Window . . .	Boxes	96,068	403,343	190,951	706,283	18,274	66,701	172,677	639,582
,, and Glassware . .	Value	...	767,367	...	848,549	...	6,301	...	842,248
Glue	Piculs	7,299	130,919	8,519	136,301	144	2,709	8,375	133,592
Ground-nuts	,,	157,839	686,102	182,219	785,708	...	...	182,219	785,708
Haberdashery	Value	...	413,521	...	639,570	...	11,961	...	627,609
Hardware	,,	...	527,092	...	892,144	...	37,555	...	854,589
Hemp	Piculs	13,760	155,243	11,484	140,293	6	22	11,478	140,271
Hides, Cow and Buffalo .	,,	...	...	9,759	182,292	1,921	37,271	7,838	145,021
Horns, Deer	Value	...	37,745	...	59,397	...	560	...	58,837
,, Rhinoceros . . .	Piculs	38	279,007	30	121,101	...	80	30	121,021
Hosiery	Dozens	293,720	323,058	499,255	581,076	2,728	2,898	496,527	578,178
Isinglass	Piculs	6,777	358,053	6,933	358,466	53	2,754	6,880	355,712
Jadestone	,,	3,639	282,240	3,528	385,943	2	152	3,526	385,791
Jewellery, Real and Imitation .	Value	...	125,465	...	239,649	...	7,168	...	232,481
Lace and Trimmings . .	,,	...	94,851	...	160,911	...	33	...	160,878
Lamps and Lampware . .	,,	...	482,807	...	735,144	...	13,017	...	722,127
Leather	Piculs	13,742	824,248	40,127	1,587,450	149	6,954	39,978	1,580,496
,, and Manufactures of .	Value	...	389,189	...	221,438	...	2,358	...	219,080
Lung-ngans	Piculs	6,083	68,886	14,993	199,905	58	1,098	14,935	198,807
Macaroni and Vermicelli .	,,	45,050	372,586	56,909	477,828	159	1,274	56,750	476,554
Machinery and Fittings . .	Value	...	2,660,039	...	5,383,363	...	46,436	...	5,336,927
Matches	Gross	22,854	29,988	22,585	33,622	243	620	22,342	33,002
,, Japan	,,	20,287,402	4,743,209	26,034,636	5,575,835	80,442	17,705	25,954,194	5,558,130
Match-making Materials . .	Value	...	325,102	...	279,304	...	7,085	...	272,219

FOREIGN GOODS: IMPORTS FROM AND RE-EXPORTS TO FOREIGN COUNTRIES—*Continued*

Description of Goods.	Classifier of Quantity.	1904. Net Imports.		1905. Imports.		Re-exports.		Net Imports.	
		Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
SUNDRIES—*Continued.*			Hk.tls.		Hk.tls.		Hk.tls.		Hk.tls.
Mats of all kinds	Pieces	7,221,232	593,182	6,461,410	371,589	16,535	655	6,444,875	370,934
Medical and Surgical Appliances	Value	...	129,450	...	232,927	..	858	...	232,069
Medicines	,,	...	1,506,297	...	1,932,841	...	24,268	...	1,908,573
Milk, Condensed, in Tins	Dozens	246,678	360,837	553,546	800,069	135,582	184,539	417,964	615,530
Morphia	Ounces	128	283	54	166	...	...	54	166
Mushrooms	Piculs	16,414	806,208	13,104	618,574	92	3,881	13,012	614,693
Needles	Mille	2,886,341	625,280	3,494,187	672,648	48,150	9,197	3,446,037	663,451
Oil, Engine	Galls.	436,955	152,019	1,298,375	332,566	78,902	19,015	1,219,473	313,551
,, Kerosene, American	,,	67,063,705	13,214,908	80,708,456	11,476,161	662,320	97,890	80,046,136	11,378,271
,, ,, Borneo	,,	343,620	49,897	11,315,553	1,121,290	210,000	23,919	11,105,553	1,097,371
,, ,, Burma	,,	949,375	143,745	1,154,906	175,516	...	...	1,154,906	175,516
,, ,, Russian	,,	32,618,352	5,535,946	15,238,549	2,080,725	2,528,500	380,286	12,710,049	1,700,439
,, ,, Sumatra	,,	55,916,183	8,963,547	48,530,577	5,945,706	75,390	10,214	48,455,187	5,935,492
Paper	Piculs	231,846	2,549,032	256,918	2,462,235	1,505	9,196	255,413	2,453,039
	Value	...	...	...	550,681	...	18,228	...	532,453
Pearls, Real	,,	...	71,533	...	207,963	...	28,500	...	179,463
Pepper, Black and White	Piculs	45,955	962,753	35,755	760,465	1,288	25,626	34,467	734,839
Perfumery	Value	...	197,418	...	268,209	...	5,782	...	262,427
Photographic Materials	,,	...	122,197	...	259,360	...	5,854	...	253,506
Printing and Lithographic Materials	,,	...	59,751	...	99,115	...	467	...	98,648
Railway Plant and Materials	,,	...	6,046,459	...	7,347,989	...	1,250	...	7,346,739
Rattans	Piculs	114,873	726,205	109,859	684,588	93	580	109,766	684,008
Rice	,,	3,356,830	8,379,530	2,227,916	8,544,971	...	...	2,227,916	8,544,971
Saltpetre	,,	66,989	516,788	65,474	566,585	...	...	65,474	566,585
Sandalwood	,,	124,824	1,086,665	95,523	880,528	118	1,099	95,405	879,429
Seaweed and Agar-agar	,,	507,964	1,636,886	490,760	1,349,488	182	663	490,578	1,348,825
Seeds of all kinds	,,	31,111	211,359	31,098	308,545	99	1,328	30,999	307,217

Ships and Boats, Materials for, not included under Metals or Timber	Value	...	576,366	...	21,007	...	3,002	...	18,005
Shoes and Boots	Pairs	471,814	395,802	696,378	601,081	3,990	5,177	692,388	595,904
Silk and Cotton Ribbons	Value	...	421,588	...	651,674	...	5,440	...	646,234
Skins (Furs)	Pieces	373,821	143,899	775,226	272,990	11,359	6,472	763,867	266,518
Soap	Value	...	911,051	...	1,618,189	...	53,728	...	1,564,461
Soda	Piculs	124,296	398,102	227,810	589,299	6,673	20,293	221,137	569,006
Stationery	Value	...	569,536	...	684,794	...	15,584	...	669,210
Stores, Household	,,	...	1,491,817	...	2,901,401	...	516,867	...	2,384,534
Stores, Marine and Engineers	,,	...	284,233	...	484,167	...	43,999	...	440,168
Sugar, Brown	Piculs	1,389,038	5,498,510	1,844,798	7,379,186	4,033	16,133	1,840,765	7,363,053
,, Candy	,,	195,348	1,387,918	214,428	1,580,103	259	1,914	214,169	1,578,189
,, Refined	,,	1,261,112	6,838,723	1,514,979	8,335,468	15,974	87,156	1,499,005	8,248,312
,, White	,,	902,065	4,556,307	1,070,110	5,449,755	3,374	17,207	1,066,736	5,432,548
Sulphur	,,	37,617	161,706	29,255	63,190	45	82	29,210	63,108
Tea, British India and Ceylon	,,	11,649	226,108	39,252	718,922	2,652	82,795	36,600	636,127
,, Japan (Formosa)	,,	5,510	39,973	106,118	2,632,073	96,061	2,554,605	10,057	77,464
,, Java	,,	274	5,480	201	3,746	...	...	201	3,746
Telegraph Materials	Value	...	285,967	...	641,797	...	23,343	...	618,454
Thread, Gold and Silver, Imitation	Piculs	542	147,522	30,778	186,043	3	514	30,775	185,529
Timber, Hard-wood	Cub. ft.	1,861,723	998,990	1,856,670	811,935	3,805	2,658	1,852,865	809,277
,, Soft-wood	Sq. feet	52,332,529	1,496,991	90,432,396	2,309,906	30,280	776	90,402,116	2,309,130
Tobacco	Piculs	31,951	851,825	91,252	1,623,960	378	9,637	90,874	1,614,323
Tobacconists' Sundries	Value	...	302,476	...	168,728	...	6,087	...	162,641
Toilet Requisites	,,	...	162,068	...	215,880	...	5,211	...	210,669
Toys	,,	...	109,406	...	157,724	...	1,421	...	156,303
Umbrellas, European	Pieces	153,712	95,382	275,483	181,176	713	314	274,770	180,862
,, Japanese	,,	1,375,465	572,150	1,468,650	486,614	5,695	1,731	1,462,955	484,883
Varnish	Piculs	5,819	114,492	6,236	122,078	18	354	6,218	121,724
Waters, Aerated and Mineral	Value	...	109,956	...	113,048	...	1,419	...	110,629
Wines, Beers, Spirits, etc. :—									
Beer and Porter	,,	...	669,883	...	882,605	...	142,743	...	739,862
Spirits	,,	...	504,094	...	1,497,481	...	225,277	...	1,272,204
Wines	,,	...	903,532	...	1,122,938	...	106,587	...	1,016,351
Woods of all kinds (not including Sandalwood, Timber, and Dye-woods)	,,	...	703,661	...	648,645	...	2,102	...	646,543

FOREIGN GOODS: IMPORTS FROM AND RE-EXPORTS TO FOREIGN COUNTRIES—*Continued*

Description of Goods.	Classifier of Quantity.	1904.		1905.					
		Net Imports.		Imports.		[Re-exports.		Net Imports.	
		Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
SUNDRIES—*Continued.*			Hk.tls.		Hk.tls.		Hk.tls.		Hk.tls.
Postal Parcels not otherwise classified	Value	...	...	...	197,774	...	...	...	197,774
Sundries, Unenumerated . .	,,	...	12,753,337	...	16,402,156	...	442,299	...	15,959,857
Imports from Foreign Countries by junk not otherwise recorded	,,	...	57,654	...	84,332	...	...	...	84,332
			154,504,145						
Less Excess of Re-exports over Imports . .	Hk.tls.	...	8,849						
Total: Sundries . . .	Hk.tls.	...	154,495,296	...	186,338,096	...	7,659,462	...	178,678,634
Grand Total . .	Hk.tls.	..	344,060,608	...	461,194,532	...	14,093,741	...	447,100,791

Year.	Import Duties.[1]	Export Duties.[2]	Coast Trade Duties.[1]	Tonnage Dues.	Transit Dues.		Opium Likin.	Total.
					Inwards.	Outwards.		
	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.
1896	7,669,630	8,455,528	1,306,346	611,026	465,771	151,296	3,919,759	22,579,366
1897	7,575,219	8,427,011	1,522,036	579,360	562,954	127,917	3,947,607	22,742,104
1898	7,223,642	8,468,892	1,497,082	612,861	594,793	122,945	3,983,182	22,503,397
1899	8,437,471	10,235,968	1,763,757	640,191	679,007	156,823	4,748,243	26,661,460
1900	7,249,443	8,624,774	1,638,427	724,860	536,704	138,355	3,961,423	22,873,986
1901	8,556,700	9,122,270	2,161,380	809,561	715,537	201,595	3,970,531	25,537,574
1902	12,388,191	9,103,117	1,940,242	920,911	1,227,978	325,802	4,100,803	30,007,044
1903	11,493,021	9,589,815	1,929,892	953,475	1,437,648	421,667	4,705,070	30,530,688
1904	12,259,381	9,808,739	2,263,116	992,585	1,371,019	416,233	4,382,083	31,493,156
1905	15,336,528	9,864,193	2,616,469	1,105,350	1,611,332	423,075	4,154,057	35,111,004

[1] Inclusive of opium.

[2] Under this head are included export duties on native opium and produce for native consumption carried from port to port in vessels of foreign type and junks licensed to trade under the Treaty tariff. The amount of these duties (as estimated by taking it as double the coast trade or half-duty, excluding opium, paid on the produce at the ports where it is delivered, and then adding the duty paid on rice, paddy, wheat, and native opium) may be found in the Table below, in the column of "Duties on Native Produce exported to Chinese Ports"; and the entire revenue may, with tolerable correctness, be apportioned between the foreign and home trades as shown in the second half of the Table :—

Year.	Duties on Native Produce exported to		Revenue.		
	Foreign Countries.	Chinese Ports.	Foreign Trade.	Home Trade.	Total.
	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.
1896	5,702,728	2,752,800	18,520,220	4,059,146	22,579,366
1897	5,619,985	2,807,026	18,413,042	4,329,026	22,742,104
1898	5,729,875	2,739,017	18,267,298	4,236,099	22,503,397
1899	6,776,156	3,459,812	21,437,891	5,223,569	26,661,460
1900	5,572,030	3,052,744	18,182,815	4,691,171	22,873,986
1901	5,606,976	3,515,294	19,860,900	5,676,674	25,537,574
1902	5,216,889	3,886,228	24,180,574	5,826,470	30,007,044
1903	5,043,804	4,546,011	24,054,785	6,475,903	30,530,688
1904	5,367,337	4,441,402	24,788,638	6,704,518	31,493,156
1905	4,913,953	4,950,240	27,544,295	7,566,709	35,111,004

Description of Goods.	Classifier of Quantity.	1904.		1905.	
		Quantity.	Value.	Quantity.	Value.
			Hk.tls.		Hk.tls.
Alum, White	Piculs	41,976	55,737	40,342	61,369
Aniseed, Star	,,	8,372	103,669	5,942	131,282
Bamboo and Bamboo-ware	Value	...	963,316	...	974,838
Bean-cake	Piculs	1,150,950	2,355,918	2,897,948	6,188,347
Beans	,,	1,923,721	4,926,805	2,665,523	6,931,876
Bones	,,	151,794	113,278	179,191	130,688
Bran	,,	266,556	443,099	300,272	466,125
Bristles	,,	38,299	2,497,949	39,588	2,555,610
Camphor	,,	2,219	116,708	5,363	363,868
Cassia Lignea	,,	76,078	1,057,995	74,355	1,036,909
Cattle, Sheep, Pigs, and Goats	No.	252,057	2,120,190	249,950	3,210,100
China-root	Piculs	16,632	78,348	17,298	87,457
Chinaware, Earthenware, and Pottery	,,	314,729	1,663,921	297,812	1,721,474
Cigarettes	,,	2,770	233,190	3,983	474,743
Clothing, Chinese, and Boots and Shoes	Value	...	1,651,735	...	1,812,258
Coal	Tons	10,190	66,558	11,534	85,329
Cotton, Raw	Piculs	1,228,588	24,811,595	789,273	12,029,326
Curiosities	Value	...	283,072	...	168,968
Egg Albumen and Yolk	Piculs	47,469	417,954	52,942	466,982
Eggs, Fresh and Preserved	Pieces	145,324,088	1,233,906	186,215,737	1,554,607
Fans of all kinds	,,	53,743,533	612,812	45,508,717	468,941
Feathers, Duck, Fowl, etc.	Piculs	73,916	1,172,805	73,665	911,418
Fire-crackers and Fire-works	,,	134,925	2,717,906	128,245	2,972,256
Fish and Fishery Products	Value	...	967,553	...	1,164,337
Fruits of all kinds	,,	...	1,785,407	...	1,671,992
Fungus	Piculs	6,831	373,334	7,204	339,708
Galangal	,,	17,092	29,397	10,892	22,890
Glassware, Bangies, etc.	,,	17,955	396,071	15,864	334,468
Gold and Silver Ware	Catties	9,079	262,635	7,277	201,544
Grasscloth	Piculs	8,463	768,983	13,104	1,259,586
Ground-nuts	,,	98,345	339,540	114,626	394,160
Gypsum	,,	66,811	33,564	68,674	30,376
Hair of all kinds	Value	...	457,689	...	825,313
Hats, Rush	Pieces	1,491,654	32,830	2,758,204	59,154
,, Wood-shaving or Chip	,,	514,544	12,313	962,795	30,611
Hemp	Piculs	208,603	1,854,134	262,443	2,352,007
Hides, Cow and Buffalo	,,	279,976	7,142,420	189,446	4,995,749
Horns ,, ,,	,,	8,428	58,295	9,467	72,910
,, Deer, Young	Pairs	1,587	97,977	1,517	105,579
Joss Sticks	Piculs	56,504	405,837	56,930	395,782
Lard (Pork Fat)	,,	54,522	739,941	48,041	667,076
Leather	,,	17,517	396,632	15,712	396,393
Lily Flowers, Dried	,,	45,684	263,608	49,696	296,957
Liquorice	,,	15,742	173,862	11,643	195,388
Mats (not including Matting)	Pieces	17,135,718	17,136,440	15,956,238	929,809
Matting	Rolls	473,440	3,389,642	438,009	3,129,330
Medicines	Value	...	1,946,788	...	2,111,616

Description of Goods.	Classifier of Quantity.	1904.		1905.	
		Quantity.	Value.	Quantity.	Value.
			Hk.tls.		Hk.tls.
Minerals :—					
Antimony and Antimony Ore	Piculs	116,333	337,719	94,327	269,503
Iron, Pig and Unmanufactured	,,	201,848	272,097	413,209	665,577
Quicksilver	,,	348	30,982	279	28,626
Tin, in Slabs	,,	50,391	3,200,788	75,302	3,441,547
Musk	Catties	1,535	428,189	1,393	482,448
Nankeens	Piculs	27,984	1,433,428	32,116	1,523,588
Nutgalls	,,	41,498	746,284	43,119	834,087
Oil (Bean, Ground-nut, Tea, Wood, etc.)	,,	459,191	4,278,414	430,027	3,617,849
Oils, Essential (Aniseed, Cassia-leaf, etc.)	,,	4,718	553,691	4,583	478,136
Opium	,,	3,179	1,445,978	4,112	1,328,216
Paper	,,	307,187	3,766,700	282,329	3,551,634
Pearls, real	Value	...	...	...	125,975
Preserves	Piculs	12,362	138,318	12,564	129,705
Provisions and Vegetables (not including Eggs)	Value	...	2,100,802	...	2,474,703
Rhubarb	Piculs	8,105	98,057	8,320	156,087
Safflower	,,	33	1,655	76	3,903
Samshu	,,	134,930	585,484	163,807	717,317
Seed, Apricot	,,	3,387	79,065	10,192	239,094
,, Cotton	,,	518,670	445,471	659,705	554,564
,, Melon	,,	28,294	243,943	23,943	212,623
,, Rape	,,	5,417	38,397	19,751	77,475
,, Sesamum	,,	129,334	535,930	575,721	2,349,746
Seed-cake	,,	629,996	530,822	715,085	646,448
Silk, Raw, White	,,	34,238	19,581,790	24,270	13,524,010
,, ,, Yellow	,,	10,374	3,357,323	10,718	3,866,402
,, ,, Steam Filature	,,	47,287	28,526,115	45,347	27,395,999
,, ,, Wild	,,	33,527	9,861,668	25,584	8,639,062
,, Cocoons	,,	11,015	945,685	14,207	1,344,286
,, Waste	,,	66,893	3,014,202	87,167	4,288,525
,, Cocoons, Refuse	,,	14,719	400,519	20,806	555,818
,, Piece Goods	,,	18,080	10,600,800	12,390	8,897,627
,, Shantung Pongees	,,	3,487	1,162,568	3,337	1,041,123
,, Products, Unclassed	Value	...	804,742	...	840,981
Skins (Furs), Skin Clothing, and Rugs	,,	...	7,327,542	...	9,684,286
Straw Braid	Piculs	86,110	4,502,820	110,222	6,210,688
Sugar Brown	,,	321,652	1,113,608	472,243	1,907,512
,, Candy	,,	715	5,843	368	2,864
,, White	,,	43,539	236,728	46,600	284,114
Tallow, Animal (Beef)	,,	26,874	220,870	3,357	31,796
,, Vegetable	,,	74,923	752,975	67,277	633,682
Tea, Black	,,	749,002	16,567,796	597,045	12,721,213
,, Green	,,	241,146	9,469,737	242,128	8,292,474
,, Brick, Black	,,	405,221	3,576,846	419,829	3,666,264
,, ,, Green	,,	42,474	406,910	98,669	586,750
,, Tablet	,,	4,550	115,388	4,859	123,980
,, Dust	,,	8,856	65,287	6,768	54,967
Timber and Wood of all kinds	Value	...	1,390,336	...	1,135,246

Description of Goods.	Classifier of Quantity.	1904.		1905.	
		Quantity.	Value.	Quantity.	Value.
			Hk.tls.		Hk.tls.
Tobacco, Leaf and Prepared	Piculs	160,676	2,565,400	157,912	2,312,713
Varnish	,,	4,005	153,980	6,634	343,894
Vermicelli and Macaroni	,,	156,353	1,434,305	176,170	1,377,962
Wax, White	,,	4,825	269,760	4,261	248,790
Wool, Camels	,,	24,346	474,535	35,331	674,630
,, Sheep's	,,	260,976	4,602,344	348,033	6,070,157
Postal Parcels not otherwise classified	Value	...	...	...	25,873
Sundries, Unenumerated	,,	...	10,577,704	...	10,080,880
Exports to Foreign Countries by Junk not otherwise recorded	,,	...	344,985	...	327,268
Total	Hk. tls.	...	239,486,683	...	227,888,197

Shipping: Vessels Entered and Cleared, 1900 to 1905

Flag.	1900.		1901.		1902.		1903.		1904.		1905.	
	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.
American	1,311	474,479	1,241	898,063	1,295	493,831	1,736	559,686	27,716	924,809	689	1,293,416
Austrian	44	77,542	71	111,583	30	53,157	49	99,616	50	155,202	52	195,705
Belgian	4	4,880	4	5,164	...	...	...	...	...	...	...	...
British	22,818	23,052,459	25,012	26,151,332	24,758	26,950,202	25,297	28,122,987	31,298	32,933,873	30,442	35,095,658
Chinese, Shipping[1]	26,420	7,544,496	14,694	6,089,654	18,102	8,931,652	22,697	9,510,631	25,482	9,779,152	35,076	11,349,911
,, Junks[2]	7,709	319,721	7,921	345,170	8,201	409,430	8,011	400,578	121,383	4,988,819	113,679	5,057,441
Danish	49	48,886	80	103,220	98	127,906	125	158,692	70	82,623	68	72,337
Dutch	20	32,158	77	93,852	70	78,693	78	112,811	101	183,197	119	227,500
French	978	664,987	1,208	733,041	1,511	833,759	2,596	1,178,200	2,647	1,264,320	6,184	1,699,121
German	3,527	4,032,147	6,641	7,542,829	6,046	7,220,146	6,424	7,310,427	6,841	7,602,304	7,337	8,187,871
Hawaiian	2	1,916	...	...	...	...	...	...	...	...	...	...
Italian	...	...	10	334	...	...	1	200	44	12,286	65	19,906
Japanese	4,917	3,871,559	6,115	5,518,376	6,898	7,350,515	7,554	7,965,358	5,755	4,290,350	25,850	6,238,918
Korean	30	12,582	28	21,584	38	28,758	50	33,382	40	10,176	6	1,296
Norwegian	324	328,528	321	327,847	913	829,141	1,184	1,136,056	1,528	1,349,868	3,246	2,922,826
Swedish			18	17,802	40	38,396	119	103,798	68	54,780	178	156,466
Portuguese	612	47,988	600	45,950	388	32,296	326	28,064	726	83,466	926	146,290
Russian	449	292,278	787	407,989	1,107	603,510	765	569,903	81	56,279	36	82,155
Siamese	...	...	2	616	...	...	...	...	3	3,120	...	...
Spanish	12	538	12	390	2	5,946	...	...	2	82	6	8,730
Non-Treaty Powers	4	98	2	1,872	2	2,664	...	...	...	...	...	...
Total	69,230	40,807,242	64,844	48,416,668	69,499	53,990,002	77,012	57,290,389	223,835	63,774,706	223,959	72,755,547

[1] Vessels of the foreign type, owned by Chinese, and sailing under the Chinese flag.

[2] Vessels of native type, built and owned by Chinese, entered and cleared at the Imperial Maritime Customs.

The Shipping for the past Ten Years has been divided between Steamers and Sailing Vessels in the following proportions:—

Year.	Steamers Entered and Cleared.		Sailing Vessels Entered and Cleared.		Total Entered and Cleared.	
	No.	Tons.	No.	Tons.	No.	Tons.
1896	31,452	32,358,375	9,043	1,132,482	40,495	33,490,857
1897	34,566	32,519,729	9,934	1,232,633	44,500	33,752,362
1898	43,164	32,896,014	9,497	1,337,566	52,661	34,233,580
1899	52,720	37,794,440	12,698	1,473,890	65,418	39,268,330
1900	57,576	39,555,768	11,654	1,251,474	69,230	40,807,242
1901	53,259	47,255,047	11,585	1,161,621	64,844	48,416,668
1902	58,086	52,806,393	11,413	1,183,609	69,499	53,990,002
1903	62,733	55,930,221	14,279	1,360,168	77,012	57,290,389
1904	75,338	57,652,481	148,497	6,122,225	223,835	63,774,706
1905	88,362	66,372,624	135,597	6,382,923	223,959	72,755,547

Countries. From which Imported and to which Exported.	Gold.			Silver.			Copper.	Grand Total.
	In Bars, Dust, etc.	In Coin.	Total.	In Bars and Sycee.	In Coin.	Total.	In Coin.	
	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.
IMPORTS.								
Europe	...	...	...	4,302,987	33,667	4,336,654	...	4,336,654
America	...	132,747	132,747	2,504,942	1,175,790	3,680,732	...	3,813,479
Africa	...	...	...	...	...	...	...	...
Australia	...	...	...	...	...	...	...	...
Asia: India (including Burma, etc.)	...	...	...	40,000	5,672	45,772	...	45,672
Straits Settlements	...	...	...	...	420,389	420,389	...	420,389
Saigon and Tonkin	...	...	...	...	2,174,927	2,174,927	...	2,174,927
Siam	...	...	...	...	1,084	1,084	...	1,084
Hong-Kong and Macao	6,107	88,340	94,447	350,963	19,065,371	19,416,334	368,470	19,879,251
Manila	...	...	...	...	112,601	112,601	...	112,601
Japan (including Formosa)	...	10,692,343	10,692,343	420,556	576,967	997,523	12,157	11,702,023
Korea	...	190,071	190,071	8,200	45,578	53,778	...	243,849
Vladivostock	...	...	...	186,240	...	186,240	...	186,240
Other Places	...	...	...	2,000	800	2,800	...	2,800
Total Imports	6,107	11,103,501	11,109,608	7,815,888	23,612,846	31,428,734	380,627	42,918,969
EXPORTS.								
Europe	722,975	...	722,975	283,000	100,817	383,817	...	1,106,792
America	...	...	...	...	4,792	4,792	...	4,792
Africa	2,646	...	2,646	...	...	...	...	2,646
Australia	...	...	...	...	...	...	...	...
Asia: India (including Burma, etc.)	360	...	360	83,090	60,360	143,450	...	143,810
Straits Settlements	...	...	...	...	254,286	254,286	...	254,286
Saigon and Tonkin	...	...	...	...	3,800	3,800	...	3,800
Siam	...	...	...	...	...	...	...	...
Hong-Kong and Macao	1,531,492	30,755	1,562,247	64,801	32,491,948	32,556,749	...	34,118,996
Manila	...	...	...	...	...	...	...	...
Japan (including Formosa)	181,632	1,580,684	1,762,316	3,862,598	471,990	4,334,588	...	6,096,904
Korea	...	...	...	201,300	178,096	379,396	...	379,396
Vladivostock	...	...	...	324,700	237,000	561,700	...	561,700
Other places	...	...	...	...	2,333	2,333	...	2,333
Total Exports	2,439,105	1,611,439	4,050,544	4,819,489	33,805,422	38,624,911	...	42,675,455

Port.	1897.	1898.	1899.	1900.
	Hk.tls. m. c. c.	Hk.tls. m. c. c.	Hk.tls. m. c. c.	Hk.tls. m. c. c.
Newchwang .	568,547.9.7.5	634,237.3.4.4	928,739.5.2.0	498,244.4.3.1
Chinwangtao .	...	...	...	...
Tientsin . .	973,037.0.5.1	1,016,412.5.0.5	1,269,803.7.7.8	516,706.7.7.0
Chefoo . .	461,279.6.3.8	566,582.2.0.6	681,692.9.4.6	556,862.1.1.0
Kiaochow .	...	...	**32,637.1.7.3**	**59,482.1.9.2**
Chungking .	383,730.6.2.5	288,029.3.1.9	464,205.4.6.0	376,899.8.1.2
Ichang . .	429,260.0.2.7	324,631.6.8.9	579,644.0.4.3	600,376.9.1.0
Shasi . .	8,640.9.7.3	4,040.0.8.7	5,284.7.0.6	6,620.9.7.4
Changsha. .	...	...	...	...
Yochow . .	...	...	...	**790.8.1.7**
Hankow . .	2,025,013.2.1.8	2,194,412.4.0.6	2,398,929.2.2.3	2,115,759.7.8.8
Kiukiang .	921,850.7.3.4	959,634.7.3.7	987,636.0.9.3	880,181.8.7.2
Wuhu . .	407,508.8.6.7	422,229.1.8.0	953,726.1.0.8	894,126.2.9.8
Nanking . .	...	...	56,653.1.0.9	147,449.6.8.2
Chinkiang .	810,977.0.1.5	714,281.4.2.9	926,335.4.2.2	891,042.1.9.5
Shanghai . .	7,496,770.8.0.0	6,907,194.3.3.6	8,120,844.9.4.1	7,117,387.0.6.1
Soochow . .	102,107.0.2.4	114,838.1.9.0	57,358.6.1.9	35,654.9.2.5
Hangchow . .	374,874.7.5.0	444,610.6.8.1	595,959.8.0.2	534,665.7.3.6
Ningpo . .	832,405.3.2.6	735,555.4.8.4	800,870.7.5.0	686,184.1.8.8
Wenchow .	53,655.5.2.7	57,780.6.5.4	64,574.1.3.5	44,978.5.4.5
Santuao . .	...	...	**4,209.2.8.9**	**77,185.8.5.2**
Foochow . .	1,292,791.7.5.4	1,308,275.6.5.1	1,463,611.3.8.4	1,188,340.2.3.8
Amoy . .	893,672.2.9.5	829,725.0.0.6	765,769.9.2.3	665,829.7.8.6
Swatow . .	1,284,590.4.1.9	1,474,720.9.2.6	1,658,999.5.2.4	1,504,609.7.4.7
Canton . .	1,885,513.7.4.6	1,877,805.2.6.9	2,016,269.5.2.2	1,838,930.7.3.7
Kowloon . .	**521,701.4.3.9**	**394,422.5.5.8**	**383,090.7.6.3**	**350,024.3.6.3**
Lappa . .	**461,528.2.5.9**	**459,783.2.2.6**	**436,881.0.6.6**	**367,069.2.8.7**
Kongmoon .	...	...	...	...
Samshui . .	10,567.7.6.0	86,783.9.8.8	147,704.5.0.6	130,393.2.7.7
Wuchow . .	79,041.2.8.8	217,349.1.4.2	294,590.9.0.3	303,339.8.9.8
Kiungchow .	158,975.1.7.4	156,647.9.3.3	201,142.4.5.9	157,784.9.7.9
Pakhoi . .	176,642.6.7.0	167,978.3.0.0	173,393.5.1.9	135,837.8.3.6
Lungchow .	**3,479.4.7.8**	**3,573.4.1.4**	**3,024.8.1.6**	**5,319.8.6.4**
Mengtsz . .	**117,070.5.6.3**	**133,073.2.8.6**	**179,898.2.2.0**	**179,138.7.4.4**
Szemao . .	**6,870.1.3.8**	**8,787.8.3.5**	**7,978.7.6.2**	**6,767.0.9.3**
Tengyueh .	...	...	...	...
Total . .	22,742,104.5.3.3	22,503,396.7.8.1	26,661,460.4.3.4	22,873,985.5.0.7

EACH PORT, 1897 TO 1905

1901.	1902.	1903.	1904.	1905.
Hk.tls. m. c. c.	Hk.tls. m. c. c.	Hk.tls. m. c. c.	Hk.tls. m. c. c.	Hk.tls. m. c. c.
751,621.2.7.5	895,629.5.6.6	874,657.6.0.2	604,703.9.2.8	902,154.5.8.3
...	45,675.7.8.6	101,036.7.0.8	133,629.5.4.9	290,066.9.9.4
764,514.0.9.1	2,294,361.9.4.4	2,028,028.8.2.5	2,009,198.2.5.2	2,963,335.7.0.2
764,999.5.9.7	815,849.6.9.9	802,086.0.3.0	731,201.1.3.3	871,607.7.5.2
107,414.6.8.9	192,918.2.9.0	310,461.6.8.7	432,465.2.4.8	545,150.3.0.2
514,949.7.0.6	364,639.7.6.9	366,829.3.8.3	501,118.9.3.1	563,516.9.4.8
869,705.2.8.6	430,854.6.7.2	338,311.5.0.0	623,129.7.0.2	806,852.0.4.3
12,783.2.0.5	19,813.1.1.7	22,264.8.9.5	19,376.6.0.7	12,631.8.6.0
...	...	...	35,366.6.7.7	85,996.1.8.0
3,934.0.8.8	27,886.0.2.7	101,077.3.4.1	59,390.4.8.2	14,274.0.6.1
2,087,668.2.0.1	2,123,043.0.4.7	2,666,958.1.3.2	2,749,222.5.8.1	2,636,289.7.3.9
828,201.4.6.5	790,941.4.7.0	687,276.9.0.8	743,128.5.0.7	671,119.3.9.3
584,348.8.4.6	743,911.7.2.6	989,561.2.0.4	942,867.5.0.8	1,144,216.6.9.0
200,893.8.3.1	190,341.3.1.9	217,689.7.7.3	210,601.2.1.4	205,599.7.0.6
991,628.1.4.7	1,034,567.2.4.5	1,232,410.0.5.3	1,201,902.3.1.8	1,167,270.2.0.1
8,152,696.2.4.7	10,814,077.7.4.0	9,924,890.5.6.4	10,323,433.5.3.5	12,080,185.7.6.6
93,220.2.5.6	68,033.6.7.7	70,761.3.1.5	78,699.7.9.6	98,784.2.3.1
618,128.4.8.0	593,641.1.7.9	657,533.6.7.1	702,956.0.7.9	614,904.0.1.8
674,973.3.3.9	668,991.2.8.2	694,567.1.6.4	682,176.3.4.8	613,877.3.0.1
45,981.8.3.8	73,889.1.8.6	81,799.1.5.9	56,813.4.3.0	54,530.6.1.8
140,282.1.5.3	127,407.2.5.3	118,841.6.7.1	139,623.3.6.1	141,232.1.1.5
1,040,091.2.2.5	950,086.5.0.1	1,025,517.0.3.8	966,117.1.2.9	875,817.0.1.7
690,548.9.9.9	816,727.1.1.7	888,030.6.6.6	836,429.5.0.2	825,682.4.3.6
1,559,014.8.8.5	1,519,690.7.8.5	1,632,771.1.0.6	1,550,624.0.6.0	1,522,488.4.9.4
2,159,627.0.4.8	2,592,260.0.3.6	2,908,604.3.7.9	3,016,595.7.8.1	3,064,598.2.9.4
404,450.4.1.7	356,076.4.3.6	326,800.5.9.5	315,422.7.1.4	366,316.9.9.9
378,605.9.8.3	424,015.9.1.9	385,473.0.1.6	285,628.7.9.5	424,599.0.5.3
...	...	...	85,724.0.0.0	112,779.6.3.8
174,707.3.3.7	195,496.4.4.9	223,982.0.5.5	172,378.7.4.4	175,397.9.9.8
348,215.5.1.9	275,916.0.5.4	360,646.0.1.7	532,770.1.5.4	529,060.7.2.1
178,238.9.3.8	201,980.3.0.0	147,770.6.7.1	190,985.2.1.9	292,961.0.3.7
156,939.7.8.2	138,051.1.6.4	127,516.9.2.4	134,885.2.1.4	132,669.1.0.7
5,994.8.5.2	4,247.7.9.5	3,951.2.1.2	14,666.1.5.1	9,229.7.9.7
224,185.6.6.4	191,002.9.4.1	160,934.6.4.0	248,440.6.8.1	246,867.3.1.8
9,008.7.7.7	6,824.7.9.1	6,730.1.8.9	7,571.6.1.2	7,338.8.9.9
...	18,198.3.3.7	44,916.0.1.4	53,911.4.0.1	41,601.6.1.2
25,537,574.1.6.6	30,007,043.6.1.9	30,530,688.1.0.7	31,493,156.3.4.3	35,111,004.6.2.3

Value of the Direct Foreign Trade of each Port, 1904 and 1905

Port.	1904.			1905.		
	Imports.	Exports.	Total.	Imports.	Exports.	Total.
	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.
Newchwang	4,231,144	1,571,419	5,802,563	9,938,760	6,702,311	16,641,071
Chinwangtao	883,563	79,837	963,400	2,095,577	365,589	2,461,166
Tientsin	16,256,651	4,259,236	20,515,887	31,463,208	10,458,906	41,922,114
Chefoo	8,293,354	3,946,088	12,239,442	9,607,561	4,677,509	14,285,070
Kiaochow	3,437,897	845,302	4,283,199	4,372,937	2,430,350	6,803,287
Chungking	...	...	...	...	...	...
Ichang	...	...	...	349,254	...	349,254
Shasi	32,000	...	32,000	3,982	130	4,112
Changsha	485,331	...	485,331	214,883	239	215,122
Yochow	36,467	...	36,467	3,662	...	3,662
Hankow	12,815,690	7,143,869	19,959,559	26,411,934	9,559,908	35,971,842
Kiukiang	5,830	...	5,830	2,180	5	2,185
Wuhu	475,581	24,384	499,965	455,460	8,641	464,101
Nanking	389,853	...	389,853	128,936	702	129,638
Chinkiang	3,524,900	2,090,202	5,615,102	3,972,141	1,694,661	5,666,802
Shanghai	195,025,937	130,064,800	325,090,737	258,381,378	107,961,631	366,343,009
Soochow	3,336	...	3,336	592,454	...	592,454
Hangchow	...	...	...	123,304	...	123,304
Ningpo	2,739,217	25,240	2,764,457	2,891,326	5,130	2,896,456

1. Ne
2. Chi
3. Tie
4. Che
5. Kia
6. Chu
7. Icha
8. Shas
9. Char
10. Yoch
11. Hanl
12. Kiuk
13. Wuh
14. Nank
15. Chinl
16. Shan
17. Soocl
18. Hang
19. Ning
20. Wen
21. Santi
22. Fooc
23. Amo
24. Swat
25. Cant
26. Kowl
27. Lapp
28. Kong
29. Sams
30. Wucl
31. Kiun
32. Pakh
33. Lung
34. Meng
35. Szem
36. Teng

Total

1 Nc
2 Nc
3 Nc

LIBRARY
OF THE
IVERSITY
OF
LIFORNIA

Wenchow	5,548	46,643	52,191	8,894	21,638	30,532
Santuao	...	...	...	...	...	...
Foochow	7,549,462	5,274,285	12,823,747	7,192,517	3,747,157	10,939,674
Amoy	13,892,998	2,183,469	16,076,467	11,856,625	2,367,379	14,224,004
Swatow	14,105,085	6,731,641	20,836,726	14,336,452	6,196,943	20,533,395
Canton	25,964,657	39,690,428	65,655,085	26,255,221	37,316,516	63,571,737
Kowloon	17,803,705	15,890,890	33,694,595	22,513,595	14,719,867	37,233,462
Lappa	5,087,354	5,850,549	10,937,903	4,688,706	5,466,117	10,154,823
Kongmoon	1,604,098	934,225	2,538,323	2,226,750	953,733	3,180,483
Samshui	2,647,802	1,242,268	3,890,070	2,260,204	827,709	3,087,913
Wuchow	7,487,289	3,016,926	10,504,215	7,455,571	2,893,970	10,349,541
Kiungchow	2,462,376	2,283,777	4,746,153	2,927,314	3,399,945	6,327,259
Pakhoi	1,871,008	1,122,423	2,993,431	1,850,923	974,090	2,825,013
Lungchow	293,130	102,346	395,526	163,330	67,122	230,452
Mengtsz	6,063,777	4,683,522	10,747,299	4,801,109	4,791,836	9,592,945
Szemao	221,753	45,230	266,983	205,168	41,680	246,848
Tengyueh	1,747,820	337,684	2,085,504	1,442,216	236,783	1,679,999
Total	357,444,663	239,486,683	596,931,346	461,194,532	227,888,197	689,082,729
Re-exports abroad from Shanghai	9,008,612	...	...	10,199,186		
,, ,, ,, all the other Ports	4,375,443	...	...	3,894,555		
Total Re-exports	13,384,055	...	13,384,055	14,093,741	...	14,093,741
Net Total	344,060,608	239,486,683	583,547,291	447,100,791	227,888,197	674,988,988

	1901.		1902.	
	Gross.	Net.	Gross.	Net.
FOREIGN GOODS.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.
Imported from Foreign Countries and Hong-Kong . . .	158,943,521	...	182,179,795	...
Imported from Chinese Ports	1,176,791	...	1,115,236	...
Total Foreign Imports	**160,120,312**	...	**183,295,031**	...
Re-exported to Foreign Countries and Hong-Kong	4,703,748	...	5,546,421	...
Re-exported to Chinese Ports (chiefly to Northern and Yangtze Ports) . .	113,753,177	...	124,353,663	...
Total Foreign Re-exports	118,456,925	...	129,900,084	...
Net Total Foreign Imports .		**41,663,387**		**53,394,947**
NATIVE PRODUCE.				
Imported (chiefly from Northern and Yangtze Ports) . .	**75,783,456**	...	**85,995,730**	...
Re-exported to Foreign Countries	44,464,343	...	56,701,082	...
Re-exported to Chinese Ports	17,107,736	...	20,745,990	...
Total Native Re-exports	61,572,079	...	77,447,072	...
Net Total Native Imports		**14,216,377**		**8,548,658**
Native Produce of local origin Exported to Foreign Countries	**36,501,943**	...	**51,149,816**	...
Native Produce of local origin Exported to Chinese Ports	**26,044,069**	...	**25,682,287**	...
Total Exports of local origin		**62,546,012**		**76,832,103**
Gross Value of the Trade of the Port	**298,454,780**	...	**346,122,864**	...
Net Value of the Trade of the Port, *i.e.*, Foreign and Native Imports less Re-exports, and Native Exports of local origin	...	**118,425,776**	...	**138,775,708**

THE TRADE OF THE PORT, 1901 TO 1905

1903.		1904.		1905.	
Gross.	Net.	Gross.	Net.	Gross.	Net.
Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.
184,192,959	...	195,025,937	...	258,381,378	
1,028,397	...	1,880,061	...	1,194,387	
185,221,356	...	**196,905,998**	...	**259,575,765**	
5,791,949	...	9,008,612	...	10,199,186	
140,223,693	...	142,609,286	...	157,169,406	
146,015,642	...	151,617,898	...	167,368,592	
	39,205,714		**45,288,100**		**92,207,173**
100,937,149	...	127,970,828	...	112,274,251	
63,367,074	...	78,872,999	...	69,120,537	
23,006,994	...	29,093,193	...	30,385,940	
86,372,068	...	107,966,192	...	99,606,477	
	14,565,081		**20,004,636**		**12,667,774**
37,885,568	...	**51,191,801**	...	**38,841,094**	
27,156,536	...	**28,995,633**	...	**33,263,152**	
	65,042,104		**80,187,434**		**72,104,246**
351,200,609	...	**405,064,260**	...	**443,954,262**	
...	**118,812,899**	...	**145,480,170**	...	**176,979,193**

Share taken by each Nationality in the Carrying Trade from and to Foreign Countries

Flag.	Foreign Import Trade.				
	Tonnage Inwards.		Values.	Duties.	
	Entrance at Treaty Ports.	Total Tonnage of Entries.	Foreign Imports.	Import Duties.	Tonnage Dues.
			Hk.tls.	Hk.tls. m. c. c.	Hk.tls. m. c. c.
British	4,310	4,811,522	280,367,270	8,827,592.7.8.5	404,376.4.0.0
American	261	586,857	22,107,065	715,390.6.4.7	62,059.1.0.0
German	1,025	1,322,040	54,130,122	1,707,397.2.8.5	144,636.0.0.0
French	545	661,911	12,449,116	387,537.4.1.9	40,185.2.5.2
Dutch	46	93,405	2,033,485	83,986.8.8.7	12,090.6.0.0
Danish	12	21,045	181,770	4,458.1.1.8	2,753.6.0.0
Spanish	2	4,318	...	...	...
Norwegian	902	824,501	32,684,559	1,090,487.5.4.5	53,971.2.0.0
Swedish	28	28,238	837,656	35,868.6.2.5	1,224.8.0.0
Russian	12	30,958	1,055	489.9.0.1	9,617.8.0.0
Austrian	24	91,212	3,286,941	100,129.7.5.5	15,430.4.0.0
Belgian	...	...	...	...	...
Italian	14	4,252	117,382	4,595.2.3.7	343.3.0.0
Japanese	308	240,804	9,102,626	310,671.2.6.3	28,121.4.0.0
Peruvian	...	...	...	...	...
Brazilian	...	...	..	...	...
Portuguese	326	50,246	41,927	865.6.5.0	329.9.9.0
Korean	2	507	5,142	39.6.7.0	9.9.0.0
Non-Treaty Powers	...	...	...	...	...
Chinese	30,739	1,861,359	43,848,416	984,745.9.7.0	7,428.0.0.0
Total	38,556	10,633,175	461,194,532	14,254,256.7.5.7	782,569.6.5.2

Flag.	Tonnage Outwards.		Values.			Duties.
	Clearances at Treaty Ports.	Total Tonnage of Clearances.	Native Exports.[1]	Re-exports.[2]		Export Duties.
				Foreign.	Native.	
			Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls. m. c. c.
British	4,364	4,914,787	68,141,157	6,744,921	41,822,238	1,623,017.6.9.6
American	256	540,462	2,601,668	566,559	2,676,501	37,427.0.3.0
German	1,013	1,322,633	16,904,137	2,828,453	14,750,170	402,127.7.8.4
French	538	643,342	13,844,881	245,375	7,019,938	275,250.5.8.0
Dutch	40	83,953	237,911	158,933	225,934	7,085.3.2.0
Danish	13	21,028	538,471	10,226	340,920	13,381.7.1.1
Spanish	...	...	...	...	...	...
Norwegian	898	820,347	13,366,147	2,461,508	3,462,878	312,292.5.7.7
Swedish	34	34,027	206,751	107,840	57,480	7,728.6.2.8
Russian	17	39,450	31,512	216,537	2,859,882[3]	943.1.9.5
Austrian	26	97,851	183,249	10,218	570,406	4,030.3.2.8
Belgian	...	...	...	...	...	...
Italian	15	4,620	41,185	...	...	1,135.0.0.7
Japanese	320	249,721	3,805,033	92,228	524,098	77,295.2.3.6
Peruvian	...	...	...	...	...	...
Brazilian	...	...	...	...	...	...
Portuguese	326	49,822	182,000	44	...	6,488.4.7.8
Korean	2	549	...	109	...	...
Non-Treaty Powers	...	...	...	...	...	...
Chinese	29,432	1,791,585	30,443,298	650,790	3,050,352	299,647.7.6.5
Total	37,294	10,614,177	150,527,400	14,093,741	77,360,797	3,067,851.3.3.5

[1] Original shipments direct. [2] Reshipments direct. [3] Including tea carried overland from Tientsin to Russia *via* Kiakhta.

Share taken by each Nationality in the Carrying Trade between the Treaty Ports of China

Flag.	COAST TRADE OUTWARDS.						
	Tonnage Outwards.		Values.			Duties.	
	Clearances at Treaty Ports.	Total Tonnage of Clearances.	Native Exports.	Re-exports.		Export Duties.	Tonnage Dues.
				Native.	Foreign.		
			Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls. m. c. c.	Hk.tls. m. c. c.
British	10,840	12,618,565	102,370,176	23,021,165	85,290,593	3,375,741.7.8.5	166,876.0.4.0
American	91	104,843	282,898	17,134	678,732	5,417.9.8.1	7,701.4.0.0
German	2,653	2,763,431	18,925,793	2,568,642	13,115,841	616,694.0.9.7	37,937.1.0.0
French	2,793	208,694	92,274	...	19,060	3,437.2.0.6	11,616.3.5.0
Dutch	19	28,810	...	...	134,502	8.1.0.0	1,089.2.0.0
Danish	22	15,802	...	...	74,680	...	2,117.6.0.0
Spanish	3	4,365	...	...	...	...	36.3.0.0
Norwegian	721	638,955	6,887,796	1,505,029	7,695,121	184,247.9.1.5	21,514.4.0.0
Swedish	55	43,868	782,307	232,282	1,384,131	21,750.8.3.0	1,746.6.0.0
Russian	1	1,628	...	...	41,783	...	6.3.0.0
Austrian	...	...	...	...	21,280	...	...
Belgian	...	...	...	...	...	...	...
Italian	17	5,333	25,173	...	6,797	114.0.2.5	279.0.0.0
Japanese	13,918	2,908,627	12,823,454	3,408,928	11,372,624	350,781.5.8.7	17,358.1.8.8
Peruvian	...	...	...	...	...	...	...
Brazilian	...	...	...	...	...	...	...
Portuguese	137	23,323	6,919	...	...	3.0.0.0	328.6.0.0
Korean	1	99	110	...	...	3.0.0.0	...
Non-Treaty Powers	...	...	...	...	...	...	...
Chinese	46,782	6,446,259	69,964,674	27,882,561	57,538,594	2,238,142.3.8.4	54,173.3.3.4
Total	78,053	25,812,602	212,161,574	58,635,741	177,373,738	6,796,341.9.1.0	322,780.4.1.2

Flag.	COAST TRADE INWARDS				
	Tonnage Inwards.		Values.		Duties.
	Entries at Treaty Ports.	Total Tonnage of Entries.	Native Imports.	Foreign Imports.	Coast Trade Duties: Import Duties on Foreign Goods re-entered included.
			Hk.tls.	Hk.tls.	Hk.tls. m. c. c.
British	10,928	12,750,784	135,543,668	90,855,176	1,282,627. 1. 7. 7
American	81	61,254	300,497	686,217	571. 4. 0. 7
German	2,646	2,779,767	24,171,350	15,576,818	436,856. 4. 5. 2
French	2,308	185,174	191,241	14,400	5,714. 6. 0. 8
Dutch	14	21,332	...	133,676	...
Danish	21	14,462	...	35,344	628. 4. 7. 6
Spanish	1	47	...	...	...
Norwegian	725	639,023	9,704,925	8,309,095	89,709. 6. 8. 8
Swedish	61	50,333	1,176,135	1,231,901	10,907. 9. 6. 2
Russian	6	10,119	...	...	...
Austrian	2	6,642	...	...	13. 9. 1. 4
Belgian	...	...	...	...	...
Italian	19	5,701	16,573	...	49. 2. 4. 0
Japanese	11,304	2,839,766	14,454,320	12,120,000	170,494. 4. 7. 2
Peruvian	...	...	...	...	...
Brazilian	...	...	...	...	...
Portuguese	137	22,899	6,898	18	1. 5. 0. 0
Korean	1	141	...	...	...
Non-Treaty Powers	...	...	...	...	...
Chinese	41,802	6,308,149	117,315,392	59,650,787	1,701,165. 1. 1. 6
Total	70,056	25,695,593	302,880,999	188,613,432	3,698,740. 0. 1. 2

Share taken by each Nationality in the Carrying Trade from and to Foreign Countries, and between the Treaty Ports of China

Flag.	TOTAL TONNAGE. Foreign and Coastwise, Inwards and Outwards.		TOTAL VALUES. Foreign Trade		Coast Trade.		Total Values, Foreign and Coast Trade.
	Entries and Clearances at Treaty Ports.	Total Tonnage of Entries & Clearances at Treaty Ports.	Imports.[1]	Exports.[2]	Outwards.[3]	Inwards.[4]	
			Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls.
British	30,442	35,095,658	280,367,270	116,708,316	210,681,934	226,398,844	834,156,364
American	689	1,293,416	22,107,065	5,844,728	978,764	986,714	29,917,271
German	7,337	8,187,871	54,130,122	34,482,760	34,610,276	39,748,168	162,971,326
French	6,184	1,699,121	12,449,116	21,110,194	111,334	205,641	33,876,285
Dutch	119	227,500	2,033,485	622,778	134,502	133,676	2,924,441
Danish	68	72,337	181,770	889,617	74,680	35,344	1,181,411
Spanish	6	8,730	...	...	...	...	...
Norwegian	3,246	2,922,826	32,684,559	19,290,533	16,087,946	18,014,020	86,077,058
Swedish	178	156,466	837,656	372,071	2,398,720	2,408,036	6,016,483
Russian	36	82,155	1,055	3,107,931[5]	41,783	...	3,150,769
Austrian	52	195,705	3,286,941	763,873	21,280	...	4,072,094
Belgian	...	...	...	...	...	...	...
Italian	65	19,906	117,382	41,185	31,970	16,573	207,110
Japanese	25,850	6,238,918	9,102,626	4,421,359	27,605,006	26,574,320	67,703,311
Peruvian	...	...	...	...	...	...	...
Brazilian	...	...	...	...	...	...	...
Portuguese	926	146,290	41,927	182,044	6,919	6,916	237,806
Korean	6	1,296	5,142	109	110	...	5,361
Non-Treaty Powers	...	...	...	...	...	...	...
Chinese	148,755	16,407,352	43,848,416	34,144,440	155,385,829	176,966,179	410,344,864
Total	223,959	72,755,547	461,194,532	241,981,938	448,171,053	491,494,431	1,642,841,954

Flag.	TOTAL DUTIES.						Opium Likin.
	Foreign Trade.		Coast Trade.		Total Duties, Foreign and Coast Trade.	Total Tonnage Dues.	
	Import Duties.	Export Duties.	Export Duties.	Import and Half-Duties.			
	Hk.tls. m.c.c.	Hk.tls. m.c.c.	Hk.tls. m.c.c.	Hk.tls. m.c.c.	Hk.tls. m.c.c.	Hk.tls. m.c.c.	Hk.tls. m.c.c.
British	8,827,592.7.8.5	1,623,017.6.9.6	3,375,741.7.8.5	1,282,627.1.7.7	15,108,979.4.4.3	571,252.4.4.0	2,709,227.9.0.0
American	715,390.6.4.7	37,427.0.3.0	5,417.9.8.1	571.4.0.7	758,807.0.6.5	69,760.5.0.0	12.8.0.0
German	1,707,397.2.8.5	402,127.7.8.4	616,694.0.9.7	436,856.4.5.2	3,163,075.6.1.8	182,573.1.0.0	501,179.3.0.0
French	387,537.4.1.9	275,250.5.8.0	3,437.2.0.6	5,714.6.0.8	671,939.8.1.3	51,801.6.0.2	125,932.4.0.0
Dutch	83,986.8.8.7	7,085.3.2.0	8.1.0.0	...	91,080.3.0.7	13,179.8.0.0	...
Danish	4,458.1.1.8	13,381.7.1.1	...	628.4.7.6	18,468.3.0.5	4,871.2.0.0	...
Spanish	...	...	...	...	...	36.3.0.0	...
Norwegian	1,090,487.5.4.5	312,292.5.7.7	184,247.9.1.5	89,709.6.8.8	1,676,737.7.2.5	75,485.6.0.0	95,561.8.0.0
Swedish	35,868.6.2.5	7,728.6.2.8	21,750.8.3.0	10,907.9.6.2	76,256.0.4.5	2,971.4.0.0	...
Russian	489.9.0.1	943.1.9.5	...	...	1,433.0.9.6	9,624.1.0.0	...
Austrian	100,129.7.5.5	4,030.3.2.8	...	13.9.1.4	104,173.9.9.7	15,430.4.0.0	6,432.0.0.0
Belgian	...	...	...	...	...	...	...
Italian	4,595.2.3.7	1,135.0.0.7	114.0.2.5	49.2.4.0	5,893.5.0.9	622.3.0.0	386.4.0.0
Japanese	310,671.2.6.3	77,295.2.3.6	350,781.5.8.7	170,494.4.7.2	909,242.5.5.8	45,479.5.8.8	169,907.2.0.0
Peruvian	...	...	...	...	...	...	...
Brazilian	...	...	...	...	...	...	...
Portuguese	865.6.5.0	6,488.4.7.8	3.0.0.0	1.5.0.0	7,358.6.2.8	650.5.0.0	...
Korean	39.6.7.0	...	3.0.0.0	...	42.6.7.0	9.9.0.0	...
Non-Treaty Powers	...	...	...	...	...	...	...
Chinese	984,745.9.7.0	299,647.7.6.5	2,238,142.3.8.4	1,701,165.1.1.6	5,223,701.2.3.5	61,601.3.3.4	543,417.1.5.0
Total	14,254,256.7.5.7	3,067,851.3.3.5	6,796,341.9.1.0	3,698,740.0.1.2	27,817,190.0.1.4	1,105,350.0.6.4	4,154,057.0.4.0

[1] All goods arriving in vessels direct from foreign ports.
[2] All goods (original shipments of Chinese goods and reshipments of Chinese and foreign goods) departing in vessels cleared for foreign ports.
[3] All goods shipped at one Treaty port for another, *i.e.* foreign goods reshipped and Chinese original cargoes and reshipments.
[4] All goods arriving from the other Treaty ports, *i.e.* Chinese original cargoes and reshipments and foreign reshipments.
[5] Including tea carried overland from Tientsin to Russia *via* Kiakhta.

Proportion borne by each Share to the Whole Trade

Flag.	Percentages.									Foreign Population.	
	Tonnage.		Trade.			Revenue.					
	Total Trips.	Tonnage employed.	Foreign Trade.	Coast Trade.	Total Foreign and Coast.	Duties on Cargoes.	Tonnage Dues.	Opium Likin.	Total Dues and Duties.	Firms.	Persons.
British	13.59	48.24	56.47	46.52	50.78	54.31	51.68	65.22	55.60	434	8,493
American	0.31	1.78	3.98	0.21	1.82	2.73	6.31	...	2.51	105	3,380
German	3.29	11.25	12.60	7.91	9.92	11.37	16.52	12.07	11.63	197	1,850
French	2.76	2.34	4.77	0.03	2.06	2.41	4.69	3.03	2.57	77	2,143
Dutch	0.05	0.31	0.38	0.03	0.18	0.33	1.19	...	0.32	9	181
Danish	0.03	0.10	0.15	0.01	0.07	0.07	0.44	...	0.07	13	201
Spanish	...	0.01	...	...	...	...	...	...	...	7	249
Norwegian	1.45	4.02	7.39	3.63	5.24	6.03	6.83	2.35	5.59	10	166
Swedish	0.08	0.21	0.17	0.51	0.37	0.27	0.27	...	0.24	1	137
Russian	0.02	0.11	0.44	...	0.19	0.01	0.87	...	0.03	19	682
Austrian	0.02	0.27	0.58	...	0.25	0.37	1.40	0.15	0.38	17	250
Belgian	...	...	...	...	...	...	...	...	...	8	273
Italian	0.03	0.03	0.02	0.01	0.01	0.02	0.06	0.01	0.02	22	412
Japanese	11.54	8.58	1.92	5.77	4.12	3.27	4.11	4.09	3.40	729	16,910
Peruvian	...	...	...	...	...	...	...	...	...	...	...
Brazilian	...	...	...	...	...	...	...	...	...	...	8
Portuguese	0.41	0.20	0.03	...	0.01	0.03	0.06	...	0.02	44	2,462
Korean	...	...	...	...	...	...	...	...	...	...	49
Non-Treaty Powers	...	...	...	...	...	...	...	...	...	1	155
Chinese	66.42	22.55	11.10	35.37	24.98	18.78	5.57	13.08	17.62	...	...
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	1693	38,001

Statistics of the Transit Trade at each Port

Port.	Value of Transit Trade.			Port.	Value of Transit Trade.		
	Inwards.	Outwards	Total.		Inwards.	Outwards.	Total.
	Hk.tls.	Hk.tls.	Hk.tls.		Hk.tls.	Hk.tls.	Hk.tls.
Newchwang	...	...	...	Wenchow	101,009	...	101,009
Chinwangtao	2,066,157	72,282	2,138,439	Santuao	7,708	150	7,858
Tientsin	32,944,564	10,720,352	43,664,916	Foochow	454,993	15,610	470,603
Chefoo	...	...	...	Amoy	1,556,183	235,165	1,791,348
Kiaochow	...	...	...	Swatow	1,696	...	1,696
Chungking	927,363	...	927,363	Canton	1,665,705	127,943	1,793,648
Ichang	46,729	...	46,729	Kowloon	...	...	...
Shasi	8,476	...	8,476	Lappa	...	...	...
Changsha	41,403	...	41,403	Kongmoon	5,651	16,225	21,876
Yochow	...	...	...	Samshui	165,823	...	165,823
Hankow	4,447,101	537,072	4,984,173	Wuchow	5,592,449	1,546,616	7,139,065
Kiukiang	697,865	116,142	814,007	Kiungchow	90,876	883,553	974,429
Wuhu	1,951,362	31,101	1,982,463	Pakhoi	93,986	31,484	125,470
Nanking	350	35,404	35,754	Lungchow	124,836	...	124,836
Chinkiang	10,795,738	3,472,291	14,268,029	Mengtsz	3,465,736	...	3,465,736
Shanghai	1,548,978	5,017,092	6,566,070	Szemao	189,020	...	189,020
Soochow	5,317	...	5,317	Tengyueh	946,470	...	946,470
Hangchow	428,500	...	428,500				
Ningpo	1,334,017	1,963	1,335,980	Total	71,706,061	22,860,445	94,566,506

Estimated Chinese Population of the several Ports and of the Prefectures and Provinces in which they are situated

Province.		Prefecture.		Port.	
Name.	Population.	Name.	Population.	Name.	Population.
Fêngtien	16,000,000	Fêngtien (Moukden)	(Not given)	Newchwang	74,000
Chihli	29,400,000	Yung-p'ing	,,	Chinwangtao	5,000
		Tientsin	,,	Tientsin	750,000
Shantung	37,500,000	Têng-chou	3,300,000	Chefoo	82,000
		Lai-chou	(Not given)	Kiaochow	...
Szechuan	79,500,000[1]	Chungking	3,536,000	Chungking	620,000
Hunan	22,000,000	Changsha	(Not given)	Changsha	230,000
		Yochow	270,000	Yochow	20,000
		Ichang	230,000	Ichang	45,000
Hupeh	34,000,000	Ching-chou	3,000,000	Shasi	80,000
		Hanyang	3,500,000	Hankow	870,000
Kiangsi	22,000,000	Kiukiang	(Not given)	Kiukiang	36,000
Anhwei	35,800,000	T'ai-p'ing	1,420,000	Wuhu	137,000
Kiangsu	21,000,000	Kiang-ning	1,275,000	Nanking	270,000
		Chinkiang	(Not given)	Chinkiang	168,000
		Sung-kiang	,,	Shanghai	651,000
		Soochow	2,250,000	Soochow	500,000
Chehkiang	11,800,000	Hangchow	750,000	Hangchow	350,000
		Ningpo	(Not given)	Ningpo	260,000
		Wenchow	2,000,000	Wenchow	80,000
Fuhkien	20,000,000	Fu-ning	900,000	Santuao	8,000
		Foochow	3,400,000	Foochow	624,000
		Ch'üan-chou	2,200,000	Amoy	114,000
Kuangtung	32,000,000	Ch'ao-chou	(Not given)	Swatow	60,000
		Kuang-chou	8,000,000	Canton	900,000
				Kongmoon	55,000
				Samshui	5,000
		Kiungchow	60,000	Kiungchow	35,000
		Lien-chou	500,000	Pakhoi	20,000
Kwangsi	8,000,000	Wuchow	425,000	Wuchow	65,000
		T'ai-p'ing	350,000	Lungchow	12,000
Yunnan	8,000,000	Lin-an	400,000	Mengtsz	12,000
		P'u-êrh	50,000	Szemao	15,000
		Yung-ch'ang	700,000	Tengyueh	10,000
Other Provinces (Shansi, Shensi, Kansuh, Honan, Kweichow)	55,000,000				
	432,000,000	...	...	...	7,163,000

[1] Estimated by A. Hosie (1904) at 45,000,000.

APPENDIX II

AN INQUIRY INTO THE COMMERCIAL LIABILITIES AND ASSETS OF CHINA IN INTERNATIONAL TRADE

[*Author's Note.*—This excellent attempt on the part of the Statistical Secretary of the Inspectorate General of Chinese Customs is the first of its kind ever made to state China's financial position in general terms. The year 1903 is used as a basis, as the war has made the years 1904 and 1905 statistically useless.]

ATTENTION has been recently drawn to the adverse balance of trade in China as gauged by the statistics of visible imports and exports published in the Annual Returns of Trade at the treaty ports. The values, at moment of landing and shipping respectively, of the merchandise imported and exported, and of the recorded movement of treasure, during the last ten years have been as follows :—

Year.	Merchandise.		Recorded Movement of Treasure.	
	Imports.	Exports.	Import.	Export.
	Hk.tls.	Hk.tls.	Hk.tls.	Hk.tls
1894 . .	139,569,201	144,690,042	13,613,000[1]	..
1895 . .	150,244,490	160,696,753	30,061,000[1]	...
1896 . .	177,630,606	146,929,091	...	6,394,000[1]
1897 . .	177,915,363	181,769,995	...	6,870,200[1]
1898 . .	184,486,528	177,165,384	...	2,981,818[1]
1899 . .	233,953,853	217,610,004	...	6,368,335[1]
1900 . .	185,870,551	176,680,221	16,644,527[1]	...
1901 . .	237,871,600	187,954,894	14,362,496	27,035,611
1902 . .	300,908,575	236,107,278	18,437,479	41,672,355
1903 . .	310,453,428	236,205,162	27,001,165	33,046,532

[1] Net import or export.

Until the end of the war with Japan, China had incurred practically no foreign debt. As a consequence of that war she was burdened with a debt of £50,000,000 (or, say, Hk.tls. 400,000,000), and the periodic payments abroad under this head were further increased by the indemnities to be paid to foreign Powers for their rescue operations in 1900-01; the annual payments under these two heads now amount to upwards of Hk.tls. 45,000,000 a year. The natural effect of this increase in the national indebtedness should be a compulsory

increase in the shipment of merchandise to cover the indebtedness; but in this land of paradox it has happened that it is the imports which have increased, until they are now a third greater than the exports; and it is the object of this inquiry to throw some light on the anomaly thus presented.

There is no question here of the financial position of the Government: there has never been any doubt of its willingness to meet its obligations, enhanced though these are by the operations of exchange, over which it can have no control; and it has not allowed any hesitation in demonstrating its ability to make the periodic payments when due. This inquiry is made regarding the commercial condition of the Empire in its international exchanges. To define more clearly its scope, it may be said that every operation included in the inquiry is one which, under modern conditions of trade, will, excepting only for the movement of coin and bullion, cause a buying or selling of bank bills.

Foreign enclaves, whether ceded or leased, cannot be omitted from any inquiry into the condition of commercial China. In international exchange a trade transaction at Canton and Chinkiang will have a corresponding banking transaction at Hong-Kong and Shanghai respectively and on precisely the same footing; and the proceeds of sale of a consignment of cotton yarn for consumption in China may be applied to cash a bill drawn for a foreign navy, whether the expenditure of the latter is to be made at Kiaochow or at Chefoo. Amounts for these foreign enclaves are included under such sub-heads as F, *f*, *g*, *h*, *i*, and *l*, but for inclusion under sub-heads A, B, *a*, and *b* no figures are available except those obtained from our own statistics of trade between those places and the treaty ports of China. This is the more to be regretted since the absence of any statistics of the movement of treasure in and out of Hong-Kong, to cover the financing of the trade of South China, must tend to vitiate the results of any such inquiry as the present.

With these elements of uncertainty, and in the absence of any power to compel the giving of true statistics in a country in which international trade is conducted under conditions of extra-territoriality, any estimate of commercial liabilities and assets must contain many figures the accuracy of which is doubtful. In some cases a fairly close estimate may be made by careful inquiry, but in others the best that can be done is to adopt a reasonable working hypothesis, and on it to base a conjecture. The defects of the present estimate are recognised; it is presented, however, as the nearest to the truth that can be attained with the resources of one office, and in the hope that it

may encourage special inquiry by others who may have special opportunities for obtaining information on one or other of the sub-heads; it is requested that any information so obtained may be sent to this office, and that contributors to the press on the subject will send here a copy of their communications.

Of the sub-heads under liabilities, the one which includes the greatest element of uncertainty is F.—Net profits of foreigners. If it is thought, after study of the details given below, that the amount stated is too large, it should be borne in mind that, in the outgo (commercial China's liabilities), no amount has been included to represent the net profits earned in China for banks having their head offices elsewhere.

Under assets the most important sub-head is *m.*—Remittances from emigrants. While this sub-head presents many elements of uncertainty, it is believed that the estimate, Hk.tls. 73,000,000, represents an absolute minimum, and it is to be noted that, of this sum, Hk.tls. 10,000,000 are also included on the other side of the account under *B.*—Treasure imported. Of other sub-heads, *c.*—Land-frontier trade, *d.*—Railway development, *i.*—Repairs to foreign vessels, and *l.*—Expenditure by foreign travellers, present the greatest element of uncertainty; and it is hoped that further inquiry under these branches of the subject may elicit more accurate information. Under *d.*—Railway development, it is to be noted that China's liability is entirely in the future—even interest being now paid out of capital, and that the money spent on this account must be considered, at the moment, a commercial asset of the Empire.

A study of the figures appended to this paper will show that, with liabilities estimated at Hk.tls. 423,734,993, and assets estimated at Hk.tls. 424,751,694, the account about balances, and that commercially China is, at the moment, paying her way.

H. B. MORSE,
Statistical Secretary.

INSPECTORATE GENERAL OF CUSTOMS,
STATISTICAL DEPARTMENT,
SHANGHAI, *4th November* 1904.

Note.—In the estimates which follow exchange has been taken at the average rate for 1903: Hk.tls. 1·=2*s.* 7⅜*d.*, U.S., gold $0.64, francs 3.34, marks 2.68, yen 1.28, these rates having been supplied by banks of the respective nationalities.

LIABILITIES

A.—Value of merchandise imported into the treaty ports of China, 1903, at moment of landing	Hk.tls.	310,453,428
B.—Value of bullion and coin imported into the treaty ports, 1903	,,	37,001,165
C.—Principal and interest of Loans and Indemnities	,,	44,210,400
D.—Expenditure on Chinese embassies and consulates abroad	,,	1,320,000
E.—Expended by Chinese students and travellers abroad	,,	3,000,000
F.—Net profits of foreigners remitted to home countries	,,	16,000,000
G.—Net freights and net premia of insurance (fire and marine) collected by foreign companies	,,	6,750,000
H.—Munitions of war, not included in value of merchandise imported	,,	5,000,000
Total	Hk.tls.	423,734,993

ASSETS

a.—Value of merchandise exported from the treaty ports of China, 1903, at moment of shipment	Hk.tls.	236,205,162
b.—Value of bullion and coin exported from the treaty ports, 1903	,,	33,046,532
c.—Excess of exports over imports of unrecorded trade over land frontiers of China	,,	4,000,000
d.—Expenditure on development of railways, mines, etc.	,,	27,000,000
e.—Expenditure on foreign embassies and consulates, etc., in China	,,	5,000,000
f.—Maintenance of foreign garrisons	,,	7,500,000
g.—Expended on maintenance of foreign war vessels, including money spent by crews	,,	15,000,000
h.—Expended on maintenance of foreign merchant vessels, including money spent by crews	,,	2,000,000

i.—Repairs to foreign vessels at Shanghai and elsewhere	Hk.tls.	10,000,000
k.—Expenditure on foreign missions, hospitals, and schools	„	6,000,000
l.—Expended by foreign travellers in China	„	6,000,000
m.—Remittances from and money brought in by Chinese emigrants	„	73,000,000
Total . . .	Hk.tls.	424,751,694

DETAILS OF LIABILITIES

A.—Value of merchandise imported into the treaty ports of China, 1903, at moment of landing . . .	Hk.tls.	310,453,428

Hong-Kong trade is essentially a part of the trade of China, but except for the materials for repairs to vessels (see *i*), the imports from abroad for Hong-Kong consumption may be considered as offset by exports abroad of Hong-Kong local products. The value of China's imports is taken from "Report on the Trade of China for 1903."

B.—Value of bullion and coin imported into the treaty ports, taken from "Report on the Trade of China for 1903".	Hk.tls.	27,001,165
Value of coin brought in by Chinese emigrants returning (see *m*). .	„	10,000,000
	Hk.tls.	37,001,165
C.—Principal and interest of Loans and Indemnities:		
Loans prior to 1900 (official statement made in May 1901). . .	Hk.tls.	24,408,700
Add for differences between rate of above calculation, 2s. 9d., and average rate of exchange during 1903 (2s. 7⅞d.) .	„	972,200
Indemnities subsequent to 1900, as per protocol (indemnities taken at exchange of 3s.) . . .	„	18,829,500
	Hk.tls.	44,210,400
D.—Expenditure on Chinese embassies and consulates abroad:		
Estimate accepted by Council of Foreign Ministers, May 1901 .	Hk.tls.	1,320,000

E.—Expended by Chinese students and travellers abroad: this may be taken at . . . . . Hk.tls. 3,000,000

F.—Net profits of foreigners remitted to home countries.

An estimate under this head will be mere guesswork, but it cannot be omitted; it is the correlative of the heading *m*.—Remittances by Chinese emigrants abroad. Among the elements disturbing any calculation are the following: all foreigners are not thrifty as are the Chinese; many invest their savings in China; much that would otherwise be saving is sent for the support of children and dependent relatives; it happens sometimes that widows and their families remain in China; while some men regularly invest at home, others as regularly invest in China, etc. On the other hand, it is generally true that foreigners return home, and, sooner or later, take their savings with them. In the absence of precise information we must, however, assume a basis of calculation, and that least open to hostile criticism will be the following:—

(*a*) Most foreigners invest their monetary savings, while in China, in real estate here, or in local enterprises—shares or debentures.

(*b*) Against the savings of those who do not do so, but regularly remit capital home, may be put as offset the holdings of Chinese in treaty port real estate and in the shares of local companies.

(*c*) Though local investments may be held out here temporarily, sooner or later they are remitted either as annual income or as realised capital of those who have left China.

(*d*) On these grounds the sum total of—

(i.) Net rentals from real estate in the various ports, and
(ii.) Dividends of all local companies (including the Hong-Kong and Shanghai Bank)

may be taken as fairly representing the remitted savings of Foreigners in China.

Here, as under other headings, we must take Hong-Kong as essentially a part of commercial China. On this basis we find—

Shanghai net rentals	Hk.tls.	4,500,000
Hong-Kong „ „	„	2,500,000
Other ports „ „	„	2,000,000
Dividends of joint-stock companies and interest on debentures (Shanghai Stock Exchange)	„	7,000,000
Total . . .	Hk.tls.	16,000,000

In the above is not included the profit earned in China by banks other than the Hong-Kong and Shanghai Banking Corporation, nor is allowance made for losses on investments in, *e.g.*, cotton mills.

G.—Net freights and net premia of insurance collected by non-local companies.

As the result of my inquiries, I find as follows :—

Gross freight and passage money collected by foreign ocean steamer companies	Hk.tls.	15,000,000
Out-go for expenses connected with handling cargo, maintenance of agencies, movement of ships, etc. .	„	9,000,000
	Hk.tls.	6,000,000
Surplus of gross premia for fire and marine insurance over losses and expenses, estimated at	„	750,000
Total . . .	Hk.tls.	6,750,000

H.—Munitions of war not included in value of merchandise imported. It will be safe to allow for this . . . Hk.tls. 5,000,000

Details of Assets

a.—Value of merchandise exported from the treaty ports of China, 1903, at moment of shipment (see remarks under A) . . . . . Hk.tls. 236,205,162

b.—Value of bullion and coin exported from the treaty ports of China, 1903 . Hk.tls. 33,046,532

c.—Excess of exports over imports of unrecorded trade over land frontiers of China.

This must be largely a matter of guesswork, but we will take only the following three heads :—

(*a*) Opium in Tonkin: the Tonkin Customs record an import exceeding the recorded Chinese export by 1,250,000 francs	Hk.tls.	400,000

(*b*) Tea by Han river to Russia: taking one year with another the reported value is	Hk.tls.	1,000,000
(*c*) Transfrontier trade, Mongolia to Siberia, Szechuan to Thibet, etc.: excess of exports over imports may be estimated, not including amount under (*a*) and (*b*), at not less than . .	,,	2,600,000
	Hk.tls.	4,000,000

d.—Expenditure on development of railways, mines, etc., provided from foreign countries, the loans furnishing them not being yet repayable, and interest being paid out of capital.

The Russian system has had large sums spent on it to push it forward, but it will be safer to take the annual average at the same amount as for the other systems. Of these, I count (1) Russian in Manchuria, (2) Anglo-Chinese in Chihli and Manchuria, (3) British in Shansi, (4) German in Shantung, (5) French in Yunnan, (6) Belgian in the Pei-Han, (7) American in Yüeh-Han—in all, seven interests, introducing into China an average of £500,000 a year each, in all, £3,500,000	Hk.tls.	27,000,000
This comes in the shape of railway plant (Hk.tls. 8,000,000 included in A.—Foreign imports) and funds for salaries of supervising staff, and cost of houses and construction of lines. For development of railways and mines in Shantung during five years the amount actually spent was 55,000,000 marks, equal to	Hk.tls.	20,500,000
Deduct for expenses of head offices in Germany and for private savings of *personnel*	,,	2,500,000
	Hk.tls.	18,000,000
Making the average for one year . .	Hk.tls.	3,600,000

This agrees with the statement made above.

e.—Expenditure on foreign legations and consulates in China.

British.—The Budget for 1903-4 gave the following figures:—

Diplomatic service .	£8,367			
Consular service .	65,991			
	£74,358			
Savings from salaries I would put at about £15,000, including cost of maintaining dependents at home; and drafts on private means at about £2000: net deduction	13,000			
	£61,358			
Great Britain maintains a legation and 27 consulates, costing .		Hk.tls.	465,000	
In addition, Civil Service vote for Weihaiwei, £9000		„	68,000	
Add for expenses from other votes (telegrams, etc.)		„	42,000	
				Hk.tls. 575,000
The *United States of America* maintains 9 consulates, the remittances for which on the British basis would be £23,500; salaries are lower, but other expenses are probably heavier; say for legation and consulates .				„ 175,000
France has 10 consulates: expenditure on legation and consulates may be put at . . .		Hk.tls.	200,000	
Kuangchowwan Civil Service vote, say .		„	300,000	
				„ 500,000
Germany has 9 consulates: for expenditure on legation and consulate the Budget provided .		Hk.tls.	370,000	
Civil Service vote for Kiaochow . . .		„	3,400,000	
		Hk.tls.	3,770,000	
Deduct for personal savings		„	770,000	
				„ 3,000,000

Japan has 11 consulates, for which and the legation we may assume expenditure of .	Hk.tls.	150,000
Nine other Powers, with legations and a total of 23 consulates, may be assumed to spend	,,	600,000
	Hk.tls	5,000,000

j.—Maintenance of foreign garrisons under foreign flag, but drawing supplies from surrounding Chinese territory, and spending money mainly for benefit of Chinese.

Hong-Kong, voted 1903-4 £128,000 . .	Hk.tls.	1,000,000
Kiaochow, voted 1903-4 marks 3,390,000 .	,,	1,250,000
Kuangchowwan, voted 1903-4, say . .	,,	250,000
Port Arthur and railway guards in Manchuria, expenditure probably many millions, but put here at a minimum of	,,	2,750,000
Legation guards, and forces in Chihli, say	,,	2,250,000
	Hk.tls.	7,500,000

g.—Expended for maintenance of foreign war vessels in Chinese waters, including Kuangchowwan, Hong-Kong, Kiaochow, Weihaiwei, and Port Arthur.

I was able to obtain a careful estimate of such expenditure for one navy—made, after long inquiry, by the paymaster of one ship—and a statement based on official figures for another navy. From these I have made the following summary estimate of expenditure for 1903:—

British squadron	Hk.tls.	5,300,000
American ,, ...	,,	4,000,000
Russian ,, ...	,,	2,000,000
French ,, ...	,,	1,500,000
German ,, ...	,,	1,000,000
Other nationalities	,,	1,200,000
	Hk.tls	15,000,000

h.—Expended for maintenance of foreign merchant vessels, and expended by crews.

The corresponding estimate for Japan is yen 400, say Hk.tls. 300, for each foreign merchant steamer arriving in Japan. In 1903 there were 6700 foreign vessels entered at Chinese ports from abroad, and, on the basis of the Japanese estimate, there was spent by them the sum of	Hk.tls.	2,000,000

i.—Repairs to foreign vessels at Shanghai and elsewhere.

Under this heading it is impossible to obtain anything like accurate information. During three years the divisible profits of Farnham, Boyd, and Co., Limited, at Shanghai, averaged Hk.tls. 752,000

It is improbable that this firm, almost monopolising the shipbuilding and repairing business at Shanghai, works at less than 10 per cent profit on its gross receipts; and the sum spent at Shanghai for repairs to shipping is not over . . Hk.tls. 7,500,000

If, of this sum, we allow Hk.tls. 1,000,000 for repairs to Chinese ships, and for repairs to war vessels included under *g*, we may take the cost of docking and repairing foreign ships at Shanghai, Hong-Kong, Amoy, Foochow, etc., due allowance being made for materials imported into Hong-Kong, but not included under A, at about . . . Hk.tls. 10,000,000

k.—Cost of maintenance of foreign missions, hospitals, and schools: funds remitted from home countries.

From the information supplied to me I estimate the total annual amount of the funds remitted to be . . . . . Hk.tls. 6,000,000

l.—Expended by foreign travellers in China.

The corresponding estimate for Japan, made by governmental authority, was Yen 16,000,000, or, approximately, Hk.tls. 12,500,000. Tourists spend more in Japan than in China, and it will be safer to take this expenditure in China at not over . . . . . Hk.tls. 6,000,000

m.—Remittances from emigrants abroad.

	Minimum. Hk.tls.	Maximum Hk.tls.
1. United States and Canada .	14,000,000	38,000,000
2. Hawaii	1,500,000	3,250,000
3. American hemisphere, rest of .	2,000,000	5,000,000
4. Australia	5,000,000	10,000,000
5. Japan	1,500,000	2,750,000
6. Siberia and Korea . . .	1,000,000	2,000,000
7. Philippines	3,000,000	4,000,000
8. Indo-China	5,000,000	15,000,000
9. Singapore and Malay Peninsula:		
10. Dutch Indies (including Borneo):		
11. Siam:		
Remittances by bank paper .	12,500,000	25,000,000[1]
,, in coin . .	5,000,000	10,000,000[1]
12. British India .	2,500,000	10,000,000
13. Formosa	2,000,000	5,000,000[1]
Total . . .	55,000,000	130,000,000

Details of a maximum estimate of remittances from emigrants abroad, based mainly on the inquiry of a banker (Mr. X.) with long experience in the East.

1. *The United States of America and Canada.*

The U.S. census for 1900 gives: west of Rocky Mountains	67,729
East of Rocky Mountains	22,534
And there are in Canada	11,000
	101,263

Mr. X. estimates remittances from Pacific Slope to—

Hong-Kong . .	£40,000 a week.
Shanghai . . .	20,000 ,,
Other ports . .	15,000 ,,
	£75,000 a week.

[1] The most trustworthy estimate makes the total of these three items Hk.tls. 37,620,000, making the maximum grand total Hk.tls. 127,620,000.

Or, say, in one year . .	£3,750,000		
From Atlantic slope Mr. X. puts them at well over £1,000,000, or, say . .	1,250,000		
	£5,000,000		
At 2s. 7¾d., say		Hk.tls.	38,000,000

N.B.— This gives Hk.tls. 375 *per capita.*

Mr. J. W. Jamieson (*Foreign Trade of China*, 1902) estimates remittances from "Pacific Slope of North America" at £5,000,000 annually.

By Mr. X.'s estimate there is ample margin, since he takes no note of the probably large sums sent by coolies through the companies or Chinese private firms trusted by them.

2. *Hawaii.*—The U.S. census, 1900, gives 25,767 as the number of Chinese in Hawaii. Some of these are merchants and market gardeners; the coolie market is largely supplied by Japanese. Taking Hk.tls. 125 as annual average, we have . . „ 3,250,000

3. *American Continent.*—Gottwaldt[1] gives numbers outside the U.S. and Canada as about 145,000. We have no means of getting at the amount of their remittances, but being mainly in Spanish America their earnings are probably small. Still, they must have a surplus or they would not continue to go. We may put it at Hk.tls. 35 a head, or, say . . . . . „ 5,000,000

4. *Australia.* — Gottwaldt gives the number of Chinese in Australia as 30,000. Mr. X. estimates their annual remittances at £750,000 to £1,000,000, or, say, Hk.tls. 6,000,000, to Hk.tls. 7,500,000. Mr. J. W. Jamieson (*Report*, 1902) says that "Australian contributions cannot fall far short of £1,500,000 to £2,000,000." It is probable, the

[1] *Die Überseeische Auswanderung der Chinesen.* Von H. Gottwaldt. Bremen, 1903.

conditions being the same, that Chinese in Australia earn as much as in the U.S.; but taking it at Hk.tls. 333 *per capita*, we have . Hk.tls. 10,000,000

5. *Japan.* — Chinese residents: 5500 males, 1500 females. It is probable that, in Japan at least, the females are of the families of the Chinese residents, and are not wage-earners. The men are mainly merchants, compradors, and shroffs, no laundrymen, few servants, and no coolies; their surplus earnings are therefore on a higher scale than in the U.S., or, say, Hk.tls. 500 a head, giving a total of 2,750,000

Mr. X. estimates surplus at $1000 a head.

6. *Siberia and Korea.*—Gottwaldt gives the Chinese population at 28,700. Allowing a fair proportion of traders, though in a small way, we may put the surplus earnings at a little over Hk.tls. 70 a year, or, say, in all . „ 2,000,000

7. *Philippines.*—Chinese population put at 80,000. This being nearer home, and the Chinese supplying the lower urban occupations and some of the field labour, it would be safe to put net earnings at only Hk.tls. 50, or, say, in all . . . . . „ 4,000,000

8. *Indo-China.* — Chinese population, 150,000. The huge rice trade of Saigon is in the hands of Chinese. Chinese residents are not so well received or so well treated as farther south, and for this payment has to be made; and wages of Chinese servants are good. A safe estimate, therefore, would be Hk.tls. 100 a head, or, in all . . . . . „ 15,000,000

9. *Singapore and Malay Peninsula* (985,000):

10. *Dutch Indies* (*including Borneo*) (600,000):

11. *Siam* (2,500,000):

The figures are Gottwaldt's estimates of the Chinese population.

Here we are on uncertain ground, in view of the fact that many of the Chinese are not "emigrants" remitting home, but (especially in Siam) are settlers making their home abroad. Mr. X. estimates their remittances from (9) Singapore and Malay Peninsula at £2,250,000 a year, or, say, Hk.tls. 17,000,000. If we allow Hk.tls. 3,000,000 from Siam, and Hk.tls. 5,000,000 for remittances from the Dutch Indies, we have a total of . . . Hk.tls. 25,000,000

From these three regions (9, 10, and 11), especially 9 and 10, it is that the demand comes for contract labour enlisted for a short term. While all other emigrants entrust their earnings to the fertilising stream of bank bills, these ignorant coolies, returning after a short term of from three to five years, bring much of their earnings in coin. From inquiries made at the ports from which this emigration takes place, it is estimated that about 200,000 such contract labourers return to China in a year, bringing with them coin to the amount of . „ 10,000,000

A third point to be considered in connection with this group of countries is the emigration of females, to be disposed of for the profit of their masters, whether legitimately as wives and concubines, or, as is more commonly the case, for purposes of prostitution. In 1899, according to the Statistics[1] of the Protector of Chinese at Singapore, 5514 Chinese women arrived at Singapore alone from China; in 1900 it is estimated that 7700 such women left Hong-Kong, Amoy, and Swatow for the Southern Seas. The difference between the prices realisable at Hong-Kong and Singapore is put at $100 to $200. As it is the gross sum, not the profit, which has to be remitted, we may take the higher sum, or Hk.tls. 133. giving a total of Hk.tls. 1,000,000. I content myself with noting the fact.

[1] Quoted in Gottwaldt, *loc. cit.*

12. *British India.*—Burma has a Chinese population of 40,000, practically controlling the trade of Rangoon. Mr. X. estimates their remittances at £1,000,000, or £25 (Hk.tls. 190) a head, which seems a safe estimate. For Calcutta, Bombay, and Colombo he estimates the remittances at a quarter to half a million pounds, or, say, in all . . . . Hk.tls. 10,000,000

13. *Formosa.* — Chinese population, 2,600,000. This population, though Chinese by origin, is now nationalised as Japanese. Their "home" connection is, and always has been, Southern Fuhkien, from which country Formosa has been colonised within the last 200 years. Their ancestral graves are in Fuhkien, and their faces are turned thither, as is seen especially at the time of care for the graves. For the colonists, however, —the permanent residents—this is merely a sentiment, not likely to cause a flow of remittances from Formosa now that it is Japanese. The wealthy landlords, the merchants and their dependents, and the annual temporary influx of tea-packers, still maintain their connection with Fuhkien; and from their rents, profits, and earnings we may expect to have remittances to the annual amount of . . . . . „ 5,000,000

Hk.tls. 130,000,000

Statement of bank remittances known to have been made to this country by Chinese residents abroad during 1903, *made by a banker (Mr. Z.).*

Place whence remitted:—

	Mexican Dollars.
New York	6,000,000
San Francisco	15,000,000
Saigon	700,000
Bangkok	5,000,000
Batavia	1,280,000
Samarang	360,000
Soerabaya	120,000
Singapore	6,155,000
Penang	4,400,000
Rangoon	1,230,000

The minimum estimate on page 578 is mainly based on these figures.

A very careful estimate has been made by Mr. Gottwaldt, of the German Consular Service, of the sums remitted and brought back by emigrants from certain only of the countries to which emigrants go. The countries covered by him are those numbered by me 9, 10, 11, 13, and his estimate based upon careful calculation is that the annual sum is	Hk.tls.	37,620,000
If to this we add my minimum figures for countries 1 to 8 and 12, viz.	„	35,500,000
we have a total of	Hk.tls.	73,120,000

This figure I take as probably the nearest to the truth that we can get with our present information, and as pretty certainly a minimum estimate. Nothing is included for the large body of Chinese who, even prior to 1904, were in South Africa. Further, contract labourers have no savings for the first year or two, as their earnings go to repay the contractors for the cost of transport and advances, and only net savings of the labourers are included; but the payments to the contractors must be returned to China in a constantly recurring stream to provide advances and transport for a fresh supply of labourers.

PEKING PEACE PROTOCOL OF

ANNEX NO. 13, SHOWING INDEMNITY

Year.	Series A. Taels 75,000,000, extinguished in 1940 by an annual amortization of 1.106% during 39 years commencing in 1902.		Series B. Taels 60,000,000, extinguished in 1940 by an annual amortization of 1.783% during 30 years commencing in 1911.		Series C. Taels 150,000,000, extinguished in 1940 by an annual amortization of 2.256% during 26 years commencing in 1915.	
		Taels.		Taels.		Taels.
1902	Int. and Am. .	3,829,500	Int. . .	2,400,000	Int. . .	6,000,000
3	,,	,,	,,	,,	,,	,,
4	,,	,,	,,	,,	,,	,,
5	,,	,,	,,	,,	,,	,,
6	,,	,,	,,	,,	,,	,,
7	,,	,,	,,	,,	,,	,,
8	,,	,,	,,	,,	,,	,,
9	,,	,,	,,	,,	,,	,,
1910	,,	,,	,,	,,	,,	,,
1	,,	,,	Int. and Am. .	3,469,800	,,	,,
2	,,	,,	,,	,,	,,	,,
3	,,	,,	,,	,,	,,	,,
4	,,	,,	,,	,,	,,	,,
5	,,	,,	,,	,,	Int. and Am. .	9,384,000
6	,,	,,	,,	,,	,,	,,
7	,,	,,	,,	,,	,,	,,
8	,,	,,	,,	,,	,,	,,
9	,,	,,	,,	,,	,,	,,
1920	,,	,,	,,	,,	,,	,,
1	,,	,,	,,	,,	,,	,,
2	,,	,,	,,	,,	,,	,,
3	,,	,,	,,	,,	,,	,,
4	,,	,,	,,	,,	,,	,,
5	,,	,,	,,	,,	,,	,,
6	,,	,,	,,	,,	,,	,,
7	,,	,,	,,	,,	,,	,,
8	,,	,,	,,	,,	,,	,,
9	,,	,,	,,	,,	,,	,,
1930	,,	,,	,,	,,	,,	,,
1	,,	,,	,,	,,	,,	,,
2	,,	,,	,,	,,	,,	,,
3	,,	,,	,,	,,	,,	,,
4	,,	,,	,,	,,	,,	,,
5	,,	,,	,,	,,	,,	,,
6	,,	,,	,,	,,	,,	,,
7	,,	,,	,,	,,	,,	,,
8	,,	,,	,,	,,	,,	,,
9	,,	,,	,,	,,	,,	,,
1940	,,	,,	,,	,,	,,	,,

[1] This sum at the protocol rate of exchange (3 shillings

AUTHOR'S NOTE.—This statement is peculiarly important at the present juncture. It shows enormous sum of Customs taels 1,664,438,150, or say £250,000,000, will have to be paid by

SEPTEMBER 1901 (*Boxer Settlement*)

SCHEDULE AND AMORTIZATION SCHEME

Series D.	Series E.			
Taels 50,000,000, extinguished in 1940 by an annual amortization of 2.401% during 25 years commencing in 1916.	Taels 115,000,000, extinguished in 1940 by an annual amortization of 9.449% during 9 years commencing in 1932.	Total amounts due for the whole Series, A, B, C, D, E.	Yearly payments of previous Loans guaranteed on Chinese Customs and Likin revenues.	Totals of China's Foreign Debt-paying Service.
	Taels.	Taels.	Taels.	Taels.
Int. . .	2,000,000	Int. . . 4,600,000	18,829,500	23,600,000	42,429,500
,,	,,	,, ,,	,,	23,300,000	42,129,500
,,	,,	,, ,,	,,	23,300,000	42,129,500
,,	,,	,, ,,	,,	24,100,000	42,929,500
,,	,,	,, ,,	,,	23,900,000	42,729,500
,,	,,	,, ,,	,,	23,700,000	42,529,500
,,	,,	,, ,,	,,	23,400,000	42,229,500
,,	,,	,, ,,	,,	23,400,000	42,229,500
,,	,,	,, ,,	,,	23,200,000	42,029,500
,,	,,	,, ,,	19,899,300	22,800,000	42,699,300
,,	,,	,, ,,	,,	22,600,000	42,499,300
,,	,,	,, ,,	,,	22,400,000	42,299,300
,,	,,	,, ,,	,,	22,100,000	41,999,300
,,	,,	,, ,,	23,283,300	19,400,000	42,683,300
Int. and Am.	3,200,500	,, ,,	24,483,800	18,500,000	42,983,800
,,	,,	,, ,,	,,	18,500,000	42,983,800
,,	,,	,, ,,	,,	18,500,000	42,983,800
,,	,,	,, ,,	,,	18,500,000	42,983,800
,,	,,	,, ,,	,,	18,500,000	42,983,800
,,	,,	,, ,,	,,	18,500,000	42,983,800
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,,	,,	,, ,,	,,	18,500,000	42,983,800
,,	,,	,, ,,	,,	18,500,000	42,983,800
,,	,,	,, ,,	,,	18,500,000	42,983,800
,,	,,	,, ,,	,,	18,500,000	42,983,800
,,	,,	,, ,,	,,	18,500,000	42,983,800
,,	,,	,, ,,	,,	18,500,000	42,983,800
,,	,,	,, ,,	,,	18,500,000	42,983,800
,,	,,	,, ,,	,,	18,400,000	42,883,800
,,	,,	Int. and Am. 15,466,350	35,350,150	7,500,000	42,850,150
,,	,,	,, ,,	,,	6,300,000	41,650,150
,,	,,	,, ,,	,,	5,900,000	41,250,150
,,	,,	,, ,,	,,	5,900,000	41,250,150
,,	,,	,, ,,	,,	5,900,000	41,250,150
,,	,,	,, ,,	,,	5,900,000	41,250,150
,,	,,	,, ,,	,,	5,900,000	41,250,150
,,	,,	,, ,,	,,	5,900,000	41,250,150
,,	,,	,, ,,	,,	5,900,000	41,250,150
Grand Total payable on		Indemnity Account .	Taels 982,238,150	Previous loans Taels 682,200,000	Taels 1,664,438,150[1]

to the Customs tael) equals exactly £249,665,722.

in a very clear manner China's commitments as a result of the Japanese and Boxer Wars. The China during the four decades ending in 1940.

APPENDIX IV

MINING REGULATIONS

AS SANCTIONED BY IMPERIAL RESCRIPT OF 17TH MARCH 1902, IN REPLY TO MEMORIAL OF DEPARTMENT OF RAILWAYS AND MINES.

(*Corresponding to the 8th Day, 2nd Moon, 28th Year of Kuang Hsü.*)

[AUTHOR'S NOTE.—The Mining Regulations which follow, although nominally superseded by new laws drawn up subsequent to the signature of the Mackay Treaty, are given as examples of the manner in which Chinese officialdom has obstructed the exploitation of the mineral wealth of the country. The first principles of any mining law should be, first, to give a clear title to mine-holders, which remains absolutely secure so long as all conditions are fulfilled; and, second, to give the State a right to levy rent and royalties on a fixed scale. Procedure should also be as simple as possible. The "claim" system is what is wanted in China. With the exception of a few big syndicates, mining enterprises are quite dead for the time being.]

1. Any one desirous of undertaking mining operations in the Empire can do so either by obtaining shares from Chinese or by obtaining loans from foreigners, but notice must first be made by petition to the Ministry of Foreign Affairs, either presented in person or through the department Magistrate (*Chou*) or district Magistrate (*Hsien*) of the locality where said mines are situated, who shall transmit said petition and report the matter to the Viceroy or Governor of their province, and through said Viceroy or Governor bring the same to the notice of the said Ministry of Foreign Affairs. The consent of the said Ministry in the shape of a Rescript on the said Petition must first be obtained before the Petitioner (or Petitioners) shall be allowed to begin operations on said mines.

2. After the Ministry of Foreign Affairs has gone into the matter referred to in said Petition, and shall find that the project is permissible, it will at once communicate with the Head Office of the Department of Railways and Mines, asking that Department whether a favourable Rescript may be granted to the said Petitioner (or Petitioners). Should the said Ministry receive a reply in the affirmative, it shall then send a dispatch to the said Department asking it to issue a Permit granting permission to the said Petitioner (or Petitioners) to undertake said mining operations; not until this Permit has been handed to the said Petitioner (or Petitioners) will he (or they) be allowed to begin works on said mines. The fee for said Permit shall be at the rate of 1 per cent of the capital of the proposed enterprise.

3. The Person or Persons who have been granted said Permit shall be the same ones to undertake said mining operations. It shall not be lawful for him (or them) to privately sell said Permit to others. If he (or they) desire to sell said Permit, either before or after the operations have been begun, the original Petitioner (or Petitioners) shall, in conjunction with the person or persons who desire to succeed the former, again petition the Ministry of Foreign Affairs in the manner stated above in Regulations 1 and 2. Not until the transfer has been recorded and a new Permit issued in the manner above written shall the rights of operating said mines be transferred to the said purchaser.

4. Owners of lands in which are situated the alleged mines of course have the privilege of refusing to come to terms. The Petitioner (or Petitioners) must, therefore, first explain matters to said owners, and arrange terms as to the price of said lands, after which said terms must be reported to the local authorities to be recorded in the district Yamen. It shall not be allowable for the purchaser (or purchasers) and the vendor (or vendors) to make any private arrangements in the said sale (or sales). If said land (or lands) be considered necessary to the interests of the Imperial Government to be used for mining operations, notwithstanding the owner (or owners) have the privilege of refusal, it should be his (or their) duty to resign this privilege in favour of the Imperial Government, and accept a just price for the said landed property at the hands of the officials, and allow the latter to open said mines without let or hindrance.

5. There shall be no objection against the Petitioner praying for the privilege of opening a mine, being either a Chinese who desires to develop said mine himself, or a foreigner wishing to take up the working of a mine, or, again, if the Petition be made on behalf of a joint partnership of Chinese and foreigners. But it must always be borne in mind that the lands in question belong to China, and that the power of granting permission for the working of any mines rests solely with the Imperial Government. Whoever may have obtained the privilege of working a mine, such person (or persons) must always obey and observe the mining regulations made by the Imperial Government. Should any troubles arise in regard to a mine they shall be settled by the Imperial Government as Sovereign Lord of the soil.

6. The duty to be collected from a mine shall depend upon the value of its output. It is decided at present that a duty of 5 per cent *ad valorem* shall be charged on all outputs of Coal, Iron, Antimony, Alum and Borax; a charge of 10 per cent *ad valorem* shall be collected on Petroleum, Copper, Lead, Zinc, Sulphur, and Cinnabar; a charge of 15 per cent *ad valorem*

on Gold, Silver, Galena, and Quicksilver; and a charge of 25 per cent *ad valorem* on Diamonds and Crystals. This duty (or tax) shall be designated the *Lo-ti-shui* or ground tax. What other minerals, etc., shall be mined which have not been mentioned in these presents, the duty or tax on such shall be decided in comparison with their relation to the minerals already set down above. The Export Duty on said minerals shall be collected by the Imperial Customs in accordance with the regular tariff in force. After the payment of Export Duty the said minerals shall be exempted from paying any inland likin. The monies obtained by the levy of Export Duty by the said Imperial Customs being a new addition to the revenues of the country, shall be laid aside as a separate item by the Imperial Customs authorities, to be drawn upon and used by the Imperial Government as it may think fit.

7. Any Company having obtained the necessary Permit to open a mine shall be given a limit of twelve calendar months, counting from the day of the handing over to the said Company of the said Permit, to begin operations on said mine. Should this limit of time pass by without anything having been done to open said mine, the said Permit shall be cancelled, made null and void, and the Head Office of the Department of Railways and Mines shall be at liberty to invite other merchants to take over the development of the said mine. Notices shall also be inserted in native as well as foreign newspapers, to inform the public that the period allowed for the opening of such and such a mine, situated in such and such a province, having lapsed over, the Permit granted for the mine in question has therefore been cancelled and annulled in default.

8. For the convenience of transporting the output of a mine, permission is hereby granted for the construction of a branch railway; but this railway shall be only constructed from the said mine to the nearest port where there is a waterway. Should the said mine be located near a trunk line, then the branch railway shall be allowed to be constructed only so far as to connect with the said trunk line.

9. A School for the instruction of students in the science of mining must be established in the neighbourhood of a mining Concession, and the expenses of the said Mining School and the salaries of the staff attached thereto shall be paid by the Company working the said Concession.

10. All machinery and materials, etc., necessary for the working of a mine, imported from foreign countries, will only pay the usual import duty to the Imperial Maritime Customs; they shall be exempted from any further payment of likin duty

inland. If materials for the use of the said mine be purchased from the Interior, said materials, after due investigation that they are really intended and bound for the said mine has been made, on passing any Customs station or barrier shall be granted a pass exempting them from the payment of likin. Other goods shall not be smuggled through with the said materials, and should it be discovered that this regulation has been disobeyed in the manner aforesaid, the culprits concerned will be fined and punished according to law.

11. When a Company has engaged a Mining Engineer to proceed to various places for the purpose of exploitation it should be reported to the Ministry of Foreign Affairs, and the said Ministry will then inform the various Viceroys and Governors of the provinces concerned, who shall instruct their subordinates, the local authorities, to exert themselves and give substantial protection (to the said Mining Engineer). The said local authorities shall be held responsible should anything untoward happen (to the said Engineer). If the inhabitants of a locality obstruct and oppose the purchase of any land necessary for the opening of a mine, or should there arise trouble and disturbances on the part of labourers and artisans, the Company should report the matter to the local authorities, who shall immediately issue a proclamation to the people and take steps to preserve the peace. The said local authorities should all the more consider the importance of strictly prohibiting their Yamen subordinates and underlings from practising extortion. Should this be discovered, or suit be brought proving such charges, the local authorities concerned will be severely denounced to the Throne, and no leniency will be shown in the matter.

12. Lands purchased from the inhabitants for the use of a mine should be paid for at current market prices. In the event of the land required being Government property, the said property should be leased to the Mining Company at a rental to be settled by the local officials. Land purchased from the people, although transferred to the ownership of the purchasing Company, shall continue to pay the regular land taxes as originally assessed by the Imperial Government, in order that there may be no loss accruing to the Imperial land revenues. Land required by a Mining Company should be limited by only so much as shall be sufficient for the sinking of shafts and the construction of houses and works thereon. The said Company shall not be permitted to acquire too large an area of land.

13. In purchasing necessary land the said Mining Company should pay just and equitable prices therefor; there must be no attempts at coercion or forcible encroachments. Owners of land,

on the other hand, must refrain from enhancing the price of their property, nor will they be permitted to raise the superficial value thereof. They are also forbidden to put forward such excuses as "interfering with the '*fêngshui*'" for the purpose of obstruction. Should the land vendor prefer to receive in lieu of the purchase money for his property the equivalent in shares in the said Mining Company he shall be permitted to have his share scrip at par value.

14. In exploiting for minerals holes must be bored or shafts sunk. Should it so happen that the land where a boring must be made or shaft sunk, contain houses, graves, or tombs, attempt should be made to try and avoid interfering with them if possible. If it should prove that such a course is impossible, the said Company should endeavour to come to terms with the owner of the land and pay to him a good price to remove the said graves, etc.

15. If it should prove necessary to raise a Police force for the protection of the works at a mine, the members of said force shall be composed of Chinese, and the expenses for drilling and instructing said Police, together with their salaries and wages, shall be borne by the Mining Company itself. With the exception of the Engineer-in-charge of the machinery at the works and the general Accountant, who must be foreigners, the rest of the staff and the labourers and artisans employed at the said mine should be Chinese as far as possible. The said Company shall pay them a good rate of wages. Should the walls of a mine collapse and crush to death employees at work on the spot it shall be the duty of the said Company to grant relief on a munificent scale.

16. Chinese students who have studied in mining schools abroad and completed their studies there, if returning to China to become Mining Engineers, or should Chinese merchants in foreign countries desire to return and open mines, they shall be at liberty to report themselves to the Ministry of Foreign Affairs. If the said returned students, while prospecting for minerals in the country, discover deposits that should really prove rich and in large quantities, after the said deposits have been duly developed the Ministry of Foreign Affairs will recommend the said students to the Throne for appropriate rewards as an encouragement for others.

17. The Imperial Government accepts responsibility in giving due protection to the various Chinese and foreign shareholders of a Mining Company, but the Imperial Government cannot be held responsible for any financial losses that may be suffered by the said Company. Should a Company not have

sufficient capital to work its concession any loan made from foreign sources by the merchants concerned must be repaid by the merchants themselves; it will be no concern of the Imperial Government.

18. After the opening of a mine, accounts shall be made up at the end of each year. If after due provision has been made in the matter of repayment of capital and the payment of interest there should be any surplus remaining, 25 per cent thereof shall be paid to the Imperial Government as a Royalty.

19. Mines already opened and mines that have already received sanction to be opened previous to the drawing up of the above regulations shall be permitted to work in accordance with their original articles of agreement, except as regards Regulation 6 of these presents, as a mark of good faith. Hereafter Chinese or foreign merchants desiring to work mining concessions must observe the new regulations as set down in these presents. Should anything occur that may not have been provided for in these regulations due additions or erasions will be made in order to best suit the condition of things.

Imperial Rescript:—"Let it be as recommended."

PART III

APPENDIX I

THE BRITISH COMMERCIAL TREATY WITH CHINA

HIS MAJESTY THE KING OF THE UNITED KINGDOM OF GREAT BRITAIN AND IRELAND AND OF THE BRITISH DOMINIONS BEYOND THE SEAS, EMPEROR OF INDIA, and HIS MAJESTY THE EMPEROR OF CHINA, having resolved to enter into negotiations with a view to carrying out the provision contained in Article XI. of the Final Protocol signed at Peking on the 7th of September 1901, under which the Chinese Government agreed to negotiate the amendments deemed useful by the foreign Governments to the Treaties of Commerce and Navigation and other subjects concerning commercial relations, with the object of facilitating them, have for that purpose named as their Plenipotentiaries, that is to say:—

His Majesty the King of Great Britain and Ireland—His Majesty's Special Commissioner, SIR JAMES LYLE MACKAY, Knight Commander of the Most Eminent Order of the Indian Empire, a member of the Council of the Secretary of State for India, etc.;

And His Majesty the Emperor of China—The Imperial Commissioners LÜ HAI-HUAN, President of the Board of Public Works, etc., and SHÊNG HSÜAN-HUAI, Junior Guardian of the Heir Apparent, Senior Vice-President of the Board of Public Works, etc.;

Who having communicated to each other their respective Full Powers, and found them to be in good and due form, have agreed upon and concluded the following Articles:—

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Article I

Delay having occurred in the past in the issue of Drawback Certificates owing to the fact that those documents have to be dealt with by the Superintendent of Customs at a distance from the Customs Office, it is now agreed that Drawback Certificates shall hereafter in all cases be issued by the Imperial Maritime Customs within three weeks of the presentation to the Customs of the papers entitling the applicant to receive such Drawback Certificates.

These Certificates shall be valid tender to the Customs Authorities in payment of any duty upon goods imported or exported (transit dues excepted), or shall, in the case of Drawbacks on foreign goods re-exported abroad within three years from the date of importation, be payable in cash without deduction by the Customs Bank at the place where the import duty was paid.

But if, in connection with any application for a Drawback Certificate, the Customs Authorities discover an attempt to defraud the revenue, the applicant shall be liable to a fine not exceeding five times the amount of the duty whereof he attempted to defraud the Customs, or to a confiscation of the goods.

Article II

China agrees to take the necessary steps to provide for a uniform national coinage which shall be legal tender in payment of all duties, taxes, and other obligations throughout the Empire by British as well as Chinese subjects.

Article III

China agrees that the duties and likin combined levied on goods carried by junks from Hong-Kong to the Treaty Ports in the Canton Province and *vice versa*, shall together not be less than the duties charged by the Imperial Maritime Customs on similar goods carried by steamer.

Article IV

Whereas questions have arisen in the past concerning the right of Chinese subjects to invest money in non-Chinese enterprises and companies, and whereas it is a matter of common knowledge that large sums of Chinese capital are so invested,

China hereby agrees to recognise the legality of all such investments, past, present, and future.

It being, moreover, of the utmost importance that all shareholders in a Joint-Stock Company should stand on a footing of perfect equality as far as mutual obligations are concerned, China further agrees that Chinese subjects who have or may become shareholders in any British Joint-Stock Company shall be held to have accepted, by the very act of becoming shareholders, the Charter of Incorporation or Memorandum and Articles of Association of such Company and regulations framed thereunder as interpreted by British Courts, and that Chinese Courts shall enforce compliance therewith by such Chinese shareholders, if a suit to that effect be entered, provided always that their liability shall not be other or greater than that of British shareholders in the same Company.

Similarly the British Government agree that British subjects investing in Chinese Companies shall be under the same obligations as the Chinese shareholders in such companies.

The foregoing shall not apply to cases which have already been before the Courts and been dismissed.

Article V

The Chinese Government undertake to remove within the next two years the artificial obstructions to navigation in the Canton river. The Chinese Government also agree to improve the accommodation for shipping in the harbour of Canton, and to take the necessary steps to maintain that improvement, such work to be carried out by the Imperial Maritime Customs, and the cost thereof to be defrayed by a tax on goods landed and shipped by British and Chinese alike according to a scale to be arranged between the merchants and Customs.

The Chinese Government are aware of the desirability of improving the navigability by steamer of the waterway between Ichang and Chungking, but are also fully aware that such improvement might involve heavy expense, and would affect the interests of the population of the provinces of Szechuan, Hunan, and Hupeh. It is, therefore, mutually agreed that until improvements can be carried out steamship owners shall be allowed, subject to approval by the Imperial Maritime Customs, to erect, at their own expense, appliances for hauling through the rapids. Such appliances shall be at the disposal of all vessels, both steamers and junks, subject to regulations to be drawn up by the Imperial Maritime Customs. These appliances shall not obstruct the waterway or interfere with the free passage of junks.

Signal stations and channel marks where and when necessary shall be erected by the Imperial Maritime Customs. Should any practical scheme be presented for improving the waterway and assisting navigation without injury to the local population or cost to the Chinese Government, it shall be considered by the latter in a friendly spirit.

ARTICLE VI

The Chinese Government agree to make arrangements to give increased facilities at the open ports for bonding and for repacking merchandise in bond, and, on official representation being made by the British Authorities, to grant the privileges of a bonded warehouse to any warehouse which it is established to the satisfaction of the Customs Authorities affords the necessary security to the revenue.

Such warehouses will be subject to regulations, including a scale of fees according to commodities, distance from Custom House, and hours of working, to be drawn up by the Customs Authorities, who will meet the convenience of merchants so far as is compatible with the protection of the revenue.

ARTICLE VII

Inasmuch as the British Government afford protection to Chinese trade-marks against infringement, imitation, or colourable imitation by British subjects, the Chinese Government undertake to afford protection to British trade-marks against infringement, imitation, or colourable imitation by Chinese subjects.

The Chinese Government further undertake that the Superintendents of Northern and of Southern trade shall establish offices within their respective jurisdictions under control of the Imperial Maritime Customs, where foreign trade-marks may be registered on payment of a reasonable fee.

ARTICLE VIII

PREAMBLE

The Chinese Government, recognising that the system of levying likin and other dues on goods at the place of production, in transit, and at destination, impedes the free circulation of commodities and injures the interests of trade, hereby undertake to discard completely those means of raising revenue with the limitation mentioned in section 8.

The British Government, in return, consent to allow a surtax, in excess of the Tariff rates for the time being in force, to be im-

posed on foreign goods imported by British subjects, and a surtax in addition to the export duty on Chinese produce destined for export abroad or coastwise.

It is clearly understood that, after likin barriers and other stations for taxing goods in transit have been removed, no attempt shall be made to revive them in any form or under any pretext whatsoever; that in no case shall the surtax on foreign imports exceed the equivalent of one and a half times the import duty leviable in terms of the Final Protocol signed by China and the Powers on the 7th day of September 1901; that payment of the import duty and surtax shall secure for foreign imports, whether in the hands of Chinese or non-Chinese subjects, in original packages or otherwise, complete immunity from all other taxation, examination, or delay; that the total amount of taxation leviable on native produce for export abroad shall, under no circumstances, exceed $7\frac{1}{2}$ per cent *ad valorem*.

Keeping these fundamental principles steadily in view, the high contracting parties have agreed upon the following methods of procedure:—

Section 1.—The Chinese Government undertake that all barriers of whatsoever kind, collecting likin or such-like dues or duties, shall be permanently abolished on all roads, railways, and waterways in the Eighteen Provinces of China and the Three Eastern Provinces. This provision does not apply to the Native Custom Houses at present in existence on the seaboard or waterways, at open ports, on land routes, and on land frontiers of China.

Section 2.—The British Government agree that foreign goods on importation, in addition to the effective 5 per cent import duty as provided for in the Protocol of 1901, shall pay a special surtax equivalent to one and a half times the said duty to compensate for the abolition of likin, of transit dues in lieu of likin, and of all other taxation on foreign goods, and in consideration of the other reforms provided for in this Article; but this provision shall not impair the right of China to tax salt, native opium, and native produce as provided for in sections 3, 5, 6, and 8.

The same amount of surtax shall be levied on goods imported into the Eighteen Provinces of China and the Three Eastern Provinces across the land frontiers as on goods entering China by sea.

Section 3.—All Native Custom Houses now existing, whether at the open ports, on the seaboard, on rivers, inland waterways, land routes, or land frontiers, as enumerated in the Hu Pu and Kung Pu *Tse Li* (Regulations of the Boards of Revenue and Works) and *Ta Ch'ing Hui Tien* (Dynastic Institutes), may

remain; a list of the same, with their location, shall be furnished to the British Government for purposes of record.

Wherever there are Imperial Maritime Custom Houses, or wherever such may be hereafter placed, Native Custom Houses may be also established; as well as at any points either on the seaboard or land frontiers.

The location of Native Custom Houses in the interior may be changed as the circumstances of trade seem to require, but any change must be communicated to the British Government so that the list may be corrected; the originally stated number of them shall not, however, be exceeded.

Goods carried by junks or sailing-vessels trading to or from open ports shall not pay lower duties than the combined duties and surtax on similar cargo carried by steamers.

Native produce, when transported from one place to another in the interior, shall, on arrival at the first Native Custom House after leaving the place of production, pay duty equivalent to the export surtax mentioned in section 7.

When this duty has been paid, a certificate shall be given which shall describe the nature of the goods, weight, number of packages, etc., amount of duty paid, and intended destination. This certificate, which shall be valid for a fixed period of not less than one year from date of payment of duty, shall free the goods from all taxation, examination, delay, or stoppage at any other Native Custom Houses passed *en route*.

If the goods are taken to a place not in the foreign settlements or concessions of an open port, for local use, they become there liable to the Consumption Tax described in section 8.

If the goods are shipped from an open port, the certificate is to be accepted by the Custom House concerned in lieu of the export surtax mentioned in section 7.

Junks, boats, or carts shall not be subjected to any taxation beyond a small and reasonable charge, paid periodically at a fixed annual rate. This does not exclude the right to levy, as at present, tonnage (*Chuan Chao*) and port dues (*Chuan Liao*) on junks.

Section 4.—Foreign opium duty and present likin—which latter will now become a surtax in lieu of likin—shall remain as provided for by existing treaties.

Section 5.—The British Government have no intention whatever of interfering with China's right to tax native opium, but it is essential to declare that, in her arrangements for levying such taxation, China will not subject other goods to taxation, delay, or stoppage.

China is free to retain at important points on the borders of

each province—either on land or water—offices for collecting duty on native opium, where duties or contributions leviable shall be paid in one lump sum; which payment shall cover taxation of all kinds within that province. Each cake of opium will have a stamp affixed as evidence of duty payment. Excise officers and police may be employed in connection with these officers; but no barriers or other obstructions are to be erected, and the excise officers or police of these offices shall not stop or molest any other kinds of goods, or collect taxes thereon.

A list of these offices shall be drawn up and communicated to the British Government for record.

Section 6.—Likin on salt is hereby abolished, and the amount of said likin and of other taxes and contributions shall be added to the salt duty, which shall be collected at place of production or at first station after entering the province where it is to be consumed.

The Chinese Government shall be at liberty to establish salt-reporting offices, at which boats conveying salt which is being moved under salt passes or certificates may be required to stop for purposes of examination and to have their certificates *visé*, but at such offices no likin or transit taxation shall be levied, and no barriers or obstructions of any kind shall be erected.

Section 7.—The Chinese Government may recast the Export Tariff with specific duties as far as practicable, on a scale not exceeding 5 per cent *ad valorem*; but existing export duties shall not be raised until at least six months' notice has been given.

In cases where existing export duties are above 5 per cent they shall be reduced to not more than that rate.

An additional special surtax of one-half the export duty payable for the time being, in lieu of internal taxation and likin, may be levied at time of export on goods exported either to foreign countries or coastwise.

In the case of silk, whether hand or filature reeled, the total export duty shall not exceed a specific rate equivalent to not more than 5 per cent *ad. valorem*. Half of this specific duty may be levied at the first Native Custom House in the interior which the silk may pass, and in such case a certificate shall be given as provided for in section 3, and will be accepted by the Custom House concerned at place of export in lieu of half the export duty. Cocoons passing Native Custom Houses shall be liable to no taxation whatever. Silk not exported but consumed in China is liable to the consumption tax mentioned, and under conditions mentioned in section 8.

Section 8.—The abolition of the likin system in China and

the abandonment of all other kinds of internal taxation on foreign imports and on exports will diminish the revenue materially. The surtax on foreign imports and exports and on coastwise exports is intended to compensate in a measure for this loss of revenue, but there remains the loss of likin revenue on internal trade to be met, and it is therefore agreed that the Chinese Government are at liberty to impose a Consumption Tax on articles of Chinese origin not intended for export.

This tax shall be levied only at places of consumption, and not on goods while in transit, and the Chinese Government solemnly undertake that the arrangements which they may make for its collection shall in no way interfere with foreign goods or with native goods for export. The fact of goods being of foreign origin shall of itself free them from all taxation, delay, or stoppage, after having passed the Custom House.

Foreign goods which bear a similarity to native goods shall be furnished by the Custom House, if required by the owner, with a protective certificate for each package, on payment of import duty and surtax, to prevent the risk of any dispute in the interior.

Native goods brought by junks to open ports, if intended for local consumption—irrespective of the nationality of the owner of the goods—shall be reported at the Native Custom House only, where the Consumption Tax may be levied.

China is at liberty to fix the amount of this (consumption) tax, which may vary according to the nature of the merchandise concerned, that is to say, according as the articles are necessaries of life or luxuries; but it shall be levied at a uniform rate on goods of the same description, no matter whether carried by junk, sailing-vessel, or steamer. As mentioned in section 3, the Consumption Tax is not to be levied within foreign settlements or concessions.

Section 9.—An excise equivalent to double the import duty as laid down in the Protocol of 1901 is to be charged on all machine-made yarn and cloth manufactured in China, whether by foreigners at the open ports or by Chinese anywhere in China.

A rebate of the import duty and two-thirds of the import surtax is to be given on raw cotton imported from foreign countries, and of all duties, including Consumption Tax, paid on Chinese raw cotton used in mills in China.

Chinese machine-made yarn or cloth having paid excise is to be free of Export Duty, Export Surtax, Coast Trade Duty, and Consumption Tax. This Excise is to be collected through the Imperial Maritime Customs.

The same principle and procedure are to be applied to all

other products of foreign type turned out by machinery, whether by foreigners at the open ports or by Chinese anywhere in China.

This stipulation is not to apply to the outturn of the Hanyang and Ta Yeh Iron Works in Hupeh, and other similar existing Government works at present exempt from taxation; or to that of Arsenals, Government Dockyards, or establishments of that nature for Government purposes which may hereafter be erected.

Section 10.—A member or members of the Imperial Maritime Customs Foreign Staff shall be selected by each of the Governors-General and Governors, and appointed, in consultation with the Inspector-General of Imperial Maritime Customs, to each province for duty in connection with Native Customs affairs, Consumption Tax, Salt and Native Opium Taxes. These officers shall exercise an efficient supervision of the working of these departments, and in the event of their reporting any case of abuse, illegal exaction, obstruction to the movement of goods, or other cause of complaint, the Governor-General or Governor concerned will take immediate steps to put an end to same.

Section 11.—Cases where illegal action as described in this article is complained of shall be promptly investigated by an officer of the Chinese Government of sufficiently high rank, in conjunction with a British officer and an officer of the Imperial Maritime Customs, each of sufficient standing; and in the event of its being found by a majority of the investigating officers that the complaint is well founded and loss has been incurred, due compensation is to be at once paid from the surtax funds, through the Imperial Maritime Customs at the nearest open port. The high provincial officials are to be held responsible that the officer guilty of the illegal action shall be severely punished and removed from his post.

If the complaint turns out to be without foundation, complainant shall be held responsible for the expenses of the investigation.

His Britannic Majesty's Minister will have the right to demand investigation where, from the evidence before him, he is satisfied that illegal exactions or obstructions have occurred.

Section 12.—The Chinese Government agree to open to foreign trade, on the same footing as the places opened to foreign trade by the Treaties of Nanking and Tientsin, the following places, namely:—

Ch'angsha in Hunan;
Wanhsien in Szechuan;
Nganking in Anhui;
Waichow (Hui-chow) in Kuangtung; and
Kongmoon (Chiang-mên) in Kuangtung.

Foreigners residing in these open ports are to observe the Municipal and Police Regulations on the same footing as Chinese residents, and they are not to be entitled to establish Municipalities and Police of their own within the limits of these Treaty Ports except with the consent of the Chinese authorities.

If this Article does not come into operation the right to demand under it the opening of these ports, with the exception of Kongmoon, which is provided for in Article 10, shall lapse.

Section 13.—Subject to the provisions of section 14, the arrangements provided for in this Article are to come into force on 1st January 1904.

By that date all likin barriers shall be removed and officials employed in the collection of taxes and dues prohibited by this Article shall be removed from their posts.

Section 14.—The condition on which the Chinese Government enter into the present engagement is that all Powers entitled to most favoured nation treatment in China enter into the same engagements as Great Britain with regard to the payment of surtaxes and other obligations imposed by this Article on His Britannic Majesty's Government and subjects.

The conditions on which His Britannic Majesty's Government enter into the present engagement are:—

(1) That all Powers who are now or who may hereafter become entitled to most favoured nation treatment in China enter into the same engagements;

(2) And that their assent is neither directly nor indirectly made dependent on the granting by China of any political concession, or of any exclusive commercial concession.

Section 15.—Should the Powers entitled to most favoured nation treatment by China have failed to agree to enter into the engagements undertaken by Great Britain under this Article by the 1st January 1904, then the provisions of the Article shall only come into force when all the Powers have signified their acceptance of these engagments.

Section 16.—When the abolition of likin and other forms of internal taxation on goods as provided for in this Article has been decided upon and sanctioned, an Imperial Edict shall be published in due form on yellow paper and circulated, setting forth the abolition of all likin taxation, likin barriers, and all descriptions of internal taxation on goods, except as provided for in this Article.

The Edict shall state that the provincial high officials are

responsible that any official disregarding the letter or spirit of its injunction shall be severely punished and removed from his post.

Article IX

The Chinese Government, recognising that it is advantageous for the country to develop its mineral resources, and that it is desirable to attract foreign as well as Chinese capital to embark in mining enterprises, agree within one year from the signing of this Treaty to initiate and conclude the revision of the existing Mining Regulations. China will, with all expedition and earnestness, go into the whole question of Mining Rules, and, selecting from the rules of Great Britain, India, and other countries regulations which seem applicable to the condition of China, she will recast her present Mining Rules in such a way as, while promoting the interests of Chinese subjects and not injuring in any way the sovereign rights of China, shall offer no impediment to the attraction of foreign capital, or place foreign capitalists at a greater disadvantage than they would be under generally accepted foreign regulations.

Any mining concession granted after the publication of these new Rules shall be subject to their provisions.

Article X

Whereas in the year 1898 the inland waters of China were opened to all such steam vessels, native or foreign, as might be especially registered for that trade at the Treaty Ports, and whereas the Regulations dated 28th July 1898, and supplementary Rules dated September 1898, have been found in some respects inconvenient in working, it is now mutually agreed to amend them and to annex such new Rules to this Treaty. These Rules shall remain in force until altered by mutual consent.

It is further agreed that Kongmoon shall be opened as a Treaty Port, and that, in addition to the places named in the special Article of the Burmah Convention of 4th February 1897, British steamers shall be allowed to land or ship cargo and passengers under the same regulations as apply to the "Ports of Call" on the Yangtze river at the following "Ports of Call": Pak Tau Hau (Pai-t'u k'ou), Lo Ting Hau (Lo-ting k'ou), and Do Sing (Tou-ch'êng); and to land or discharge passengers at the following ten passenger landing stages on the West River:—Yung Ki (Jung-chi), Mah Ning (Ma-ning), Kau Kong (Chiu-chiang), Kulow (Ku-lao), Wing On (Yung-an), How Lik (Hou-li), Luk Pu (Lu-pu), Yuet Sing (Yüeh-ch'eng), Luk To (Lu-tu) and Fung Chuen (Fêng-ch'uan).

Article XI

His Britannic Majesty's Government agree to the prohibition of the general importation of morphia into China, on condition, however, that the Chinese Government will allow of its importation, on payment of the Tariff import duty and under special permit, by duly qualified British medical practitioners and for the use of hospitals, or by British chemists and druggists, who shall only be permitted to sell it in small quantities and on receipt of a requisition signed by a duly qualified foreign medical practitioner.

The special permits above referred to will be granted to an intending importer on his signing a bond before a British Consul guaranteeing the fulfilment of these conditions. Should an importer be found guilty before a British Consul of a breach of his bond, he will not be entitled to take out another permit. Any British subject importing morphia without a permit shall be liable to have such morphia confiscated.

This article will come into operation on all other Treaty Powers agreeing to its conditions, but any morphia actually shipped before that date will not be affected by this prohibition.

The Chinese Government on their side undertake to adopt measures at once to prevent the manufacture of morphia in China.

Article XII

China having expressed a strong desire to reform her judicial system, and to bring it into account with that of Western nations, Great Britain agrees to give every assistance to such reform, and she will also be prepared to relinquish her extra-territorial rights when she is satisfied that the state of the Chinese laws, the arrangements for their administration, and other considerations, warrant her in so doing.

Article XIII

The missionary question in China being, in the opinion of the Chinese Government, one requiring careful consideration, so that, if possible, troubles such as have occurred in the past may be averted in the future, Great Britain agrees to join in a Commission to investigate this question, and, if possible, to devise means for securing permanent peace between converts and non-converts, should such a Commission be formed by China and the Treaty Powers interested.

Article XIV

Whereas under Rule V. appended to the Treaty of Tientsin of 1858, British merchants are permitted to export rice and all other grain from one port of China to another under the same conditions in respect of security as copper *cash*, it is now agreed that in cases of expected scarcity or famine from whatsoever cause in any district, the Chinese Government shall, on giving twenty-one days' notice, be at liberty to prohibit the shipment of rice and other grain from such district.

Should any vessel specially chartered to load rice or grain previously contracted for, have arrived at her loading port prior to or on the day when a notice of prohibition to export comes into force, she shall be allowed an extra week in which to ship her cargo.

If, during the existence of this prohibition, any shipment of rice or grain is allowed by the authorities, the prohibition shall, *ipso facto*, be considered cancelled, and shall not be re-imposed until six weeks' notice has been given.

When a prohibition is notified, it will be stated whether the Government have any tribute or army rice which they intend to ship during the time of prohibition, and if so, the quantity shall be named.

Such rice shall not be included in the prohibition, and the Customs shall keep a record of any tribute or army rice so shipped or landed.

The Chinese Government undertake that no rice, other than tribute or army rice belonging to the Government, shall be shipped during the period of prohibition.

Notifications of prohibitions, and of the quantities of army or tribute rice for shipment, shall be made by the governors of the Provinces concerned.

Similarly, notifications of the removals of prohibitions shall be made by the same authorities.

The export of rice and other grain to foreign countries remains prohibited.

Article XV

It is agreed that either of the high contracting parties to this Treaty may demand a revision of the Tariff at the end of ten years; but if no demand be made on either side within six months after the end of the first ten years, then the Tariff shall remain in force for ten years more, reckoned from the end of the preceding ten years; and so it shall be at the end of each successive ten years.

Any Tariff concession which China may hereafter accord to articles of the produce or manufacture of any other state shall immediately be extended to similar articles of the produce or manufacture of His Britannic Majesty's dominions by whomsoever imported.

Treaties already existing between the United Kingdom and China shall continue in force in so far as they are not abrogated or modified by stipulations of the present Treaty.

Article XVI

The English and Chinese texts of the present Treaty have been carefully compared, but in the event of there being any difference of meaning between them, the sense as expressed in the English text shall be held to be the correct sense.

The ratifications of this Treaty, under the hand of His Majesty the King of Great Britain and Ireland, and of His Majesty the Emperor of China respectively, shall be exchanged at Peking within a year from this day of signature.

In token whereof the respective plenipotentiaries have signed and sealed this Treaty, two copies in English and two in Chinese.

Done at Shanghai this fifth day of September in the year of Our Lord 1902; corresponding with the Chinese date, the fourth day of the eighth moon of the twenty-eighth year of Kuang Hsü.

[*L.S.*] Jas. L. Mackay.

Signature of His Excellency Shêng Hsüan-huai.

Signature of His Excellency Lü Hai-huan.

Seal of the Chinese Plenipotentiaries.

Annex A—(1)

(*Translation*)

Lü, President of the Board of Works;

Shêng, Junior Guardian of the Heir Apparent, Vice-President of the Board of Works;

Imperial Chinese Commissioners, for dealing with questions connected with the Commercial Treaties, to

Sir JAMES MACKAY, His Britannic Majesty's Special Commissioner for the discussion of Treaty matters.

SHANGHAI: K. H. xxviii., 7th moon, 11th day.
(*Received August* 15, 1902.)

We have the honour to inform you that we have received the following telegram from His Excellency Liu, Governor-General of the Liang Chiang, on the subject of Clause II. mutually agreed upon by us:—

"As regards this clause, it is necessary to insert therein a clear stipulation, to the effect that, no matter what changes may take place in the future, all Customs duties must continue to be calculated on the basis of the existing higher rate of the Haikwan tael over the Treasury tael, and that 'the touch' and weight of the former must be made good."

As we have already arranged with you that a declaration of this kind should be embodied in an official Note, and form an Annex to the present Treaty for purposes of record, we hereby do ourselves the honour to make this communication.

Seal of the Imperial Commissioners for dealing with questions connected with Treaty Revision.

ANNEX A—(2)

SHANGHAI, *August* 18, 1902.

GENTLEMEN—I have the honour to acknowledge the receipt of your dispatch of the 14th instant, forwarding copy of a telegram from His Excellency Liu, Governor-General of the Liang Chiang, on the subject of Article II. of the new Treaty, and in reply I have the honour to state that His Excellency's understanding of the Article is perfectly correct.

I presume the Chinese Government will make arrangements for the coinage of a national silver coin of such weight and touch as may be decided upon by them. These coins will be made available to the public in return for a quantity of silver bullion of equivalent weight and fineness plus the usual mintage charge.

The coins, which will become the national coinage of China, will be declared by the Chinese Government to be legal tender in payment of Customs duty and in discharge of obligations contracted in Haikwan taels, but only at their proportionate

value to the Haikwan tael, whatever that may be.—I have the honour to be, gentlemen, your obedient servant,

(Signed) JAS. L. MACKAY.

Their Excellencies LÜ HAI-HUAN and SHÊNG HSÜAN-HUAI, etc.

ANNEX B—(1)

(*Translation*)

LÜ, President of the Board of Works;

SHÊNG, Junior Guardian of the Heir Apparent, Vice-President of the Board of Works;

Imperial Chinese Commissioners for dealing with questions connected with the Commercial Treaties, to

Sir JAMES L. MACKAY, His Britannic Majesty's Special Commissioner.

SHANGHAI, *September* 2, 1902.

We have the honour to inform you that on the 22nd of August, we, in conjunction with the Governors-General of the Liang Chiang and the Hu-kuang Provinces, their Excellencies Liu and Chang, addressed the following telegraphic Memorial to the Throne:—

"Of the revenue of the different Provinces derived from likin of all kinds, a portion is appropriated for the service of the foreign loans, a portion for the Peking Government, and the balance is reserved for the local expenditure of the Provinces concerned.

"In the negotiations now being conducted with Great Britain for the amendment of the Commercial Treaties, a mutual arrangement has been come to, providing for the imposition of additional taxes, in compensation for the abolition of all kinds of likin and other imposts on goods prohibited by Article VIII. After payment of interest and sinking fund on the existing foreign loan, to the extent to which likin is thereto pledged, these additional taxes shall be allocated to the various Provinces to make up deficiencies and replace revenue, in order that no hardships may be entailed on them. With a view to preserving the original intention underlying the proposal to increase the duties in compensation for the loss of revenue derived from likin and other imposts on goods, it is further stipulated that the surtaxes shall not be appropriated for other purposes, shall not form part of the Imperial Maritime Customs revenue proper, and shall in no case be pledged as security for any new foreign loan.

"It is therefore necessary to memorialise for the issue of an

Edict, giving effect to the above stipulations, and directing the Board of Revenue to find out what proportion of the provincial revenues derived from likin of all kinds, now about to be abolished, each Province has hitherto had to remit, and what proportion it has been entitled to retain, so that, when the Article comes into operation, due apportionment may be made accordingly, thus providing the Provinces with funds available for local expenditure, and displaying equitable and just treatment towards all."

On the 1st instant an Imperial decree, "Let action, as requested, be taken," was issued, and we now do ourselves the honour reverently to transcribe the same for your information.

Seal of the Imperial Commissioners for dealing with questions connected with Treaty Revision.

ANNEX B—(2)

SHANGHAI, *September* 5, 1902.

GENTLEMEN—I have the honour to acknowledge the receipt of your dispatch of the 2nd instant, forwarding the text of the Memorial and Decree dealing with the disposal of the surtaxes.

I understand that the surtaxes, in addition to not being pledged for any new foreign loan, are not to be pledged to, or held to be security for liabilities already contracted by China, except in so far as likin revenue has already been pledged to an existing loan.

I also understand from the Memorial that the whole of the surtaxes provided by Article VIII. of the new Treaty goes to the Provinces in proportions to be agreed upon between them and the Board of Revenue, but that out of these surtaxes each Province is obliged to remit to Peking the same contribution as that which it has hitherto remitted out of its likin collections, and that the Provinces also provide as hitherto out of these surtax funds whatever may be necessary for the service of the foreign loan to which likin is partly pledged.

I hope your Excellencies will send me a reply to this dispatch, and that you will agree to this correspondence forming part of the Treaty as an Annex.—I have the honour to be, gentlemen, your obedient servant,

(Signed) JAMES L. MACKAY.

Their Excellencies,

LÜ HAI-HUAN and SHÊNG HSÜAN-HUAI, etc.

ANNEX B—(3)

(Translation)

LÜ, President of the Board of Works;
SHÊNG, Junior Guardian of the Heir Apparent, Vice-President of the Board of Works;
Imperial Chinese Commissioners for dealing with questions connected with the Commercial Treaties, to
Sir JAMES L. MACKAY, His Britannic Majesty's Special Commissioner.

SHANGHAI, *September 5th*, 1902.

We have the honour to acknowledge the receipt of your communication of to-day's date with regard to the allocation of the surtax funds allotted to the Provinces, and to inform you that the views therein expressed are the same as our own.

We would, however, wish to point out that, were the whole amount of the allocation due paid over to the Provinces, unnecessary expense would be incurred in the retransmission by them of such portions thereof as would have to be remitted to Peking in place of the contributions hitherto payable out of likin revenue. The amount, therefore, of the allocation due to the Provinces, arranged between them and the Board of Revenue, will be retained in the hands of the Maritime Customs, who will await the instructions of the Provinces in regard to the remittance of such portion thereof as may be necessary to fulfil their obligations, and (on receipt of these instructions) will send forward the amount direct. The balance will be held to the order of the Provinces.

In so far as likin is pledged to the service of the 1898 loan a similar method of procedure will be adopted.

As you request that this correspondence be annexed to the Treaty, we have the honour to state that we see no objection to this being done.

Seal of the Imperial Commissioners for dealing with questions connected with Treaty Revision.

Annex C

Inland Waters Steam Navigation

Additional Rules

1. British steamship-owners are at liberty to lease warehouses and jetties on the banks of waterways from Chinese subjects for a term not exceeding 25 years, with option of renewal on terms to be mutually arranged. In cases where British merchants are unable to secure warehouses and jetties from Chinese subjects on satisfactory terms, the local officials, after consultation with the Minister of Commerce, shall arrange to provide these on renewable lease as above mentioned at current equitable rates.

2. Jetties shall only be erected in such positions that they will not obstruct the inland waterway or interfere with navigation, and with the sanction of the nearest Commissioner of Customs; such sanction, however, shall not be arbitrarily withheld.

3. British merchants shall pay taxes and contributions on these warehouses and jetties on the same footing as Chinese proprietors of similar properties in the neighbourhood. British merchants may only employ Chinese agents and staff to reside in warehouses so leased at places touched at by steamers engaged in inland traffic to carry on their business; but British merchants may visit these places from time to time to look after their affairs. The existing rights of Chinese jurisdiction over Chinese subjects shall not by reason of this clause be diminished or interfered with in any way.

4. Steam vessels navigating the inland waterways of China shall be responsible for loss caused to riparian proprietors by damage which they may do to the banks or works on them, and for the loss which may be caused by such damage. In the event of China desiring to prohibit the use of some particular shallow waterway by launches, because there is reason to fear that the use of it by them would be likely to injure the banks and cause damage to the adjoining country, the British authorities, when appealed to, shall, if satisfied of the validity of the objection, prohibit the use of that waterway by British launches, provided that Chinese launches are also prohibited from using it.

Both foreign and Chinese launches are prohibited from crossing dams and weirs at present in existence on inland waterways where they are likely to cause injury to such works, which would be detrimental to the water service of the local people.

5. The main object of the British Government in desiring to see the inland waterways of China opened to steam navigation being to afford facilities for the rapid transport of both foreign and native merchandise, they undertake to offer no impediment to the transfer to a Chinese company and the Chinese flag of any British steamer which may now or hereafter be employed on the inland waters of China, should the owner be willing to make the transfer.

In event of a Chinese company registered under Chinese law being formed to run steamers on the inland waters of China, the fact of British subjects holding shares in such a company shall not entitle the steamers to fly the British flag.

6. Registered steamers and their tows are forbidden, just as junks have always been forbidden, to carry contraband goods. Infraction of this rule will entail the penalties prescribed in the treaties for such an offence, and cancellation of the Inland Waters Navigation Certificate carried by the vessels, which will be prohibited from thereafter plying on inland waters.

7. As it is desirable that the people living inland should be disturbed as little as possible by the advent of steam vessels to which they are not accustomed, inland waters not hitherto frequented by steamers shall be opened as gradually as may be convenient to merchants, and only as the owners of steamers may see prospect of remunerative trade.

In cases where it is intended to run steam vessels on waterways on which such vessels have not hitherto run, intimation shall be made to the Commissioner of Customs at the nearest open port, who shall report the matter to the Ministers of Commerce. The latter in conjunction with the Governor-General or Governor of the Province, after careful consideration of all the circumstances of the case, shall at once give their approval.

8. A registered steamer may ply within the waters of a port, or from one open port or ports to another open port or ports, or from one open port or ports to places inland, and thence back to such port or ports. She may, on making due report to the Customs, land or ship passengers or cargo at any recognised places of trade passed in the course of the voyage, but may not ply between inland places exclusively except with the consent of the Chinese Government.

9. Any cargo and passenger boats may be towed by steamers. The helmsman and crew of any boat towed shall be Chinese. All boats, irrespective of ownership, must be registered before they can proceed inland.

10. These Rules are supplementary to the Inland Steam Navigation Regulations of July and September 1898. The

latter, where untouched by the present Rules, remain in full force and effect; but the present Rules hold in the case of such of the former Regulations as the present Rules affect. The present Rules, and the Regulations of July and September 1898, to which they are supplementary, are provisional, and may be modified, as circumstances require, by mutual consent.

Done at Shanghai this fifth day of September in the year of Our Lord 1902; corresponding with the Chinese date, the fourth day of the eighth moon of the twenty-eighth year of Kuang Hsü.

[*L.S.*] JAS. L. MACKAY.

Signature of
His Excellency
Shêng Hsüan-huai.

Signature of
His Excellency
Lü Hai-huan.

Seal of the
Chinese
Plenipotentiaries.

APPENDIX II

THE COMMERCIAL TREATY BETWEEN THE UNITED STATES AND CHINA

The UNITED STATES OF AMERICA and HIS MAJESTY THE EMPEROR OF CHINA, being animated by an earnest desire to extend further the commercial relations between them, and otherwise to promote the interests of the peoples of the two countries, in view of the provisions of the first paragraph of Article XI. of the final Protocol signed at Peking on the 7th day of September A.D. 1901, whereby the Chinese Government agreed to negotiate the amendments deemed necessary by the foreign Governments to the treaties of commerce and navigation and other subjects concerning commercial relations, with the object of facilitating them, have for that purpose named as their Plenipotentiaries:—

The United States of America—

EDWIN H. CONGER, Envoy Extraordinary and Minister Plenipotentiary of the United States of America to China;

JOHN GOODNOW, Consul-General of the United States of America at Shanghai;

JOHN F. SEAMAN, a Citizen of the United States of America resident at Shanghai;

And His Majesty the Emperor of China—

LÜ HAI-HUAN, President of the Board of Public Works;

SHÊNG HSÜAN-HUAI, Junior Guardian of the Heir Apparent, formerly Senior Vice-President of the Board of Public Works;

WU T'ING-FANG, Senior Vice-President of the Board of Commerce;

Who, having met and duly exchanged their full powers, which were found to be in proper form, have agreed upon the following amendments to existing treaties of commerce and navigation previously concluded between the two countries, and upon the subjects hereinafter expressed connected with commercial relations, with the object of facilitating them.

ARTICLE I

In accordance with international custom, and as the diplomatic representative of China has the right to reside in the capital of the United States, and to enjoy there the same prerogatives, privileges, and immunities as are enjoyed by the similar representative of the most favoured nation, the diplomatic representative of the United States shall have the right to reside at the capital of His Majesty the Emperor of China. He shall be given audience of His Majesty the Emperor whenever necessary to present his letters of credence or any communication from the President of the United States. At all such times he shall be received in a place and in a manner befitting his high position, and on all such occasions the ceremonial observed toward him shall be that observed toward the representatives of nations on a footing of equality, with no loss of prestige on either side.

The diplomatic representatives of the United States shall enjoy all the prerogatives, privileges, and immunities accorded by international usage to such representatives, and shall in all respects be entitled to the treatment extended to similar representatives of the most favoured nation.

The English text of all notes or dispatches from United States officials to Chinese officials, and the Chinese text of all from Chinese officials to United States officials, shall be authoritative.

Article II

As China may appoint consular officers to reside in the United States and to enjoy there the same attributes, privileges, and immunities as are enjoyed by consular officers of other nations, the United States may appoint, as its interests may require, consular officers to reside at the places in the Empire of China that are now or that may hereafter be opened to foreign residence and trade. They shall hold direct official intercourse and correspondence with the local officers of the Chinese Government within their consular districts, either personally or in writing as the case may require, on terms of equality and reciprocal respect. These officers shall be treated with proper respect by all Chinese authorities, and they shall enjoy all the attributes, privileges, and immunities, and exercise all the jurisdiction over their nationals which are or may hereafter be extended to similar officers of the nation the most favoured in these respects. If the officers of either Government are disrespectfully treated or aggrieved in any way by the authorities of the other, they shall have the right to make representation of the same to the superior officers of their own Government, who shall see that full inquiry and strict justice be had in the premises. And the said consular officers of either nation shall carefully avoid all acts of offence to the officers and people of the other nation.

On the arrival of a consul properly accredited at any place in China opened to foreign trade, it shall be the duty of the Minister of the United States to inform the Board of Foreign Affairs, which shall, in accordance with international usage, forthwith cause the due recognition of the said consul and grant him authority to act.

Article III

Citizens of the United States may frequent, reside, and carry on trade, industries, and manufactures, or pursue any lawful avocation, in all the ports or localities of China which are now open or may hereafter be opened to foreign trade and residence; and, within the suitable localities at those places which have been or may be set apart for the use and occupation of foreigners, they may rent or purchase houses, places of business, and other buildings, and rent or lease in perpetuity land and build thereon.

They shall generally enjoy as to their persons and property all such rights, privileges, and immunities as are or may hereafter be granted to the subjects or citizens of the nation the most favoured in these respects.

Article IV

The Chinese Government, recognising that the existing system of levying dues on goods in transit, and especially the system of taxation known as likin, impedes the free circulation of commodities to the general injury of trade, hereby undertakes to abandon the levy of likin and all other transit dues throughout the Empire, and to abolish the offices, stations, and barriers maintained for their collection, and not to establish other offices for levying dues on goods in transit. It is clearly understood that, after the offices, stations, and barriers for taxing goods in transit have been abolished, no attempt shall be made to re-establish them in any form or under any pretext whatsoever.

The Government of the United States, in return, consents to allow a surtax, in excess of the Tariff rates for the time being in force, to be imposed on foreign goods imported by citizens of the United States and on Chinese produce destined for export abroad or coastwise. It is clearly understood that in no case shall the surtax on foreign imports exceed one and one-half times the import duty leviable in terms of the final Protocol signed by China and the Powers on the seventh day of September A.D. 1901; that the payment of the import duty and surtax shall secure for foreign imports, whether in the hands of Chinese or foreigners, in original packages or otherwise, complete immunity from all other taxation, examination, or delay; that the total amount of taxation, inclusive of the tariff export duty, leviable on native produce for export abroad shall, under no circumstances, exceed seven and one-half per centum *ad valorem*.

Nothing in this article is intended to interfere with the inherent right of China to levy such other taxes as are not in conflict with its provisions.

Keeping these fundamental principles in view, the high contracting parties have agreed upon the following method of procedure:—

The Chinese Government undertakes that all offices, stations, and barriers of whatsoever kind for collecting likin, duties, or such-like dues on goods in transit, shall be permanently abolished on all roads, railways, and waterways in the nineteen Provinces of China and the three Eastern Provinces. This provision does not apply to the native Customs offices at present in existence on the

seaboard, at open ports where there are offices of the Imperial Maritime Customs, and on the land frontiers of China embracing the nineteen Provinces and the three Eastern Provinces.

Wherever there are offices of the Imperial Maritime Customs, or wherever such may be hereafter placed, native Customs offices may also be established, as well as at any point either on the seaboard or land frontiers.

The Government of the United States agrees that foreign goods on importation, in addition to the effective five per centum import duty as provided for in the Protocol of 1901, shall pay a special surtax of one and one-half times the amount of the said duty to compensate for the abolition of likin, of other transit dues besides likin, and of all other taxation on foreign goods, and in consideration of the other reforms provided for in this Article.

The Chinese Government may recast the foreign export tariff with specific duties, as far as practicable, on a scale not exceeding five per centum *ad valorem*; but existing export duties shall not be raised until at least six months' notice has been given. In cases where existing export duties are above five per centum, they shall be reduced to not more than that rate. An additional special surtax of one-half the export duty payable for the time being, in lieu of internal taxation of all kinds, may be levied at the place of original shipment, or at the time of export on goods exported either to foreign countries or coastwise.

Foreign goods which bear a similarity to native goods shall be furnished by the Customs officers, if required by the owner, with a protective certificate for each package, on the payment of import duty and surtax, to prevent the risk of any dispute in the interior.

Native goods brought by junks to open ports, if intended for local consumption, irrespective of the nationality of the owner of the goods, shall be reported at the native Customs offices only, to be dealt with according to the fiscal regulations of the Chinese Government.

Machine-made cotton yarn and cloth manufactured in China, whether by foreigners at the open ports or by Chinese anywhere in China, shall as regards taxation be on a footing of perfect equality. Such goods upon payment of the taxes thereon shall be granted a rebate of the import duty and of two-thirds of the import surtax paid on the cotton used in their manufacture, if it has been imported from abroad, and of all duties paid thereon if it be Chinese-grown cotton. They shall also be free of export duty, coast-trade duty, and export surtax. The same principle and procedure shall be applied to all other products of foreign type turned out by machinery in China.

A member or members of the Imperial Maritime Customs foreign staff shall be selected by the Governors-General and Governors of each of the various Provinces of the Empire for their respective Provinces, and appointed, in consultation with the Inspector General of Imperial Maritime Customs, for duty in connection with native Customs affairs, to have a general supervision of their working.

Cases where illegal action is complained of by citizens of the United States shall be promptly investigated by an officer of the Chinese Government of sufficiently high rank, in conjunction with an officer of the United States Government, and an officer of the Imperial Maritime Customs, each of sufficient standing; and in the event of it being found by the investigating officers that the complaint is well founded and loss has been incurred, due compensation shall be paid through the Imperial Maritime Customs. The high provincial officials shall be held responsible that the officer guilty of the illegal action shall be severely punished and removed from his post. If the complaint is shown to be frivolous or malicious, the complainant shall be held responsible for the expenses of the investigation.

When the ratifications of this Treaty shall have been exchanged by the high contracting parties hereto, and the provisions of this Article shall have been accepted by the Powers having treaties with China, then a date shall be agreed upon when the provisions of this Article shall take effect, and an Imperial Edict shall be published in due form on yellow paper, and circulated throughout the Empire of China, setting forth the abolition of all likin taxation, duties on goods in transit, offices, stations, and barriers for collecting the same, and of all descriptions of internal taxation on foreign goods, and the imposition of the surtax on the import of foreign goods and on the export of native goods, and the other fiscal changes and reforms provided for in this Article, all of which shall take effect from the said date. The Edict shall state that the provincial high officials are responsible that any official disregarding the letter or the spirit of its injunction shall be severely punished and removed from his post.

Article V

The tariff duties to be paid by citizens of the United States on goods imported into China shall be as set forth in the schedule annexed hereto and made part of this Treaty, subject only to such amendments and changes as are authorised by Article IV. of the present convention, or as may hereafter be agreed upon by the present high contracting parties. It is expressly agreed,

however, that citizens of the United States shall at no time pay other or higher duties than those paid by the citizens or subjects of the most favoured nation.

Conversely, Chinese subjects shall not pay higher duties on their imports into the United States than those paid by the citizens or subjects of the most favoured nation.

Article VI

The Government of China agrees to the establishment by citizens of the United States of warehouses approved by the proper Chinese authorities as bonded warehouses at the several open ports of China, for storage, repacking, or preparation for shipment of lawful goods, subject to such needful regulations for the protection of the revenue of China, including a reasonable scale of fees according to commodities, distance from the Custom House, and hours of working, as shall be made from time to time by the proper officers of the Government of China.

Article VII

The Chinese Government, recognising that it is advantageous for the country to develop its mineral resources, and that it is desirable to attract foreign as well as Chinese capital to embark in mining enterprises, agrees, within one year from the signing of this Treaty, to initiate and conclude the revision of the existing Mining Regulations. To this end China will, with all expedition and earnestness, go into the whole question of Mining Rules; and, selecting from the Rules of the United States and other countries regulations which seem applicable to the condition of China, will recast its present Mining Rules in such a way as, while promoting the interests of Chinese subjects and not injuring in any way the sovereign rights of China, will offer no impediment to the attraction of foreign capital, nor place foreign capitalists at a greater disadvantage than they would be under generally accepted foreign regulations; and will permit citizens of the United States to carry on in Chinese territory mining operations and other necessary business relating thereto, provided they comply with the new regulations and conditions which may be imposed by China on its subjects and foreigners alike, relating to the opening of mines, the renting of mineral land, and the payment of royalty, and provided they apply for permits, the provisions of which in regard to necessary business relating to such operations shall be observed. The residence of citizens of the United States in

connection with such mining operations shall be subject to such regulations as shall be agreed upon between the United States and China.

Any mining concession granted after the publication of such new rules shall be subject to their provisions.

Article VIII

Drawback Certificates for the return of duties shall be issued by the Imperial Maritime Customs to citizens of the United States within three weeks of the presentation to the Customs of the papers entitling the applicant to receive such Drawback Certificates, and they shall be receivable at their face value in payment of duties of all kinds (tonnage dues excepted) at the port of issue; or shall, in the case of Drawbacks on foreign goods re-exported within three years from the date of importation, be redeemable by the Imperial Maritime Customs in full in ready money at the port of issue, at the option of the holders thereof. But if, in connection with any application for a Drawback Certificate, the Customs authorities discover an attempt to defraud the revenue, the applicant shall be dealt with and punished in accordance with the stipulations provided in the Treaty of Tientsin, Article XXI., in the case of detected frauds on the revenue. In case the goods have been removed from Chinese territory, then the consul shall inflict on the guilty party a fine to be paid to the Chinese Government.

Article IX

Whereas the United States undertakes to protect the citizens of any country in the exclusive use within the United States of any lawful trade-marks, provided that such country agrees by treaty or convention to give like protection to citizens of the United States :—

Therefore the Government of China, in order to secure such protection in the United States for its subjects, now agrees to fully protect any citizen, firm, or corporation of the United States in the exclusive use in the Empire of China of any lawful trade-mark to the exclusive use of which they are entitled in the United States, or which they have adopted and used, or intend to adopt and use as soon as registered, for exclusive use within the Empire of China. To this end the Chinese Government agrees to issue by its proper authorities proclamations, having the force of law, forbidding all subjects of China from infringing

on, imitating, colourably imitating, or knowingly passing off an imitation of trade-marks belonging to citizens of the United States, which shall have been registered by the proper authorities of the United States at such offices as the Chinese Government will establish for such purpose, on payment of a reasonable fee, after due investigation by the Chinese authorities, and in compliance with reasonable regulations.

Article X

The United States Government allows subjects of China to patent their inventions in the United States, and protects them in the use and ownership of such patents. The Government of China now agrees that it will establish a Patent Office. After this office has been established and special laws with regard to inventions have been adopted, it will thereupon, after the payment of the legal fees, issue certificates of protection, valid for a fixed term of years, to citizens of the United States on all their patents issued by the United States, in respect of articles the sale of which is lawful in China, which do not infringe on previous inventions of Chinese subjects, in the same manner as patents are to be issued to subjects of China.

Article XI

Whereas the Government of the United States engages to give the benefits of its copyright laws to the citizens of any foreign State which gives to the citizens of the United States the benefits of copyright on an equal basis with its own citizens:—

Therefore the Government of China, in order to secure such benefits in the United States for its subjects, now agrees to give full protection, in the same way and manner, and subject to the same conditions upon which it agrees to protect trade-marks, to all citizens of the United States who are authors, designers, or proprietors of any book, map, print, or engraving especially prepared for the use and education of the Chinese people, or translation into Chinese of any book, in the exclusive right to print and sell such book, map, print, engraving, or translation in the Empire of China during ten years from the date of registration. With the exception of the books, maps, etc., specified above, which may not be reprinted in the same form, no work shall be entitled to copyright privileges under this article. It is understood that Chinese subjects shall be at liberty to make, print, and sell original translations into Chinese of any works written or of maps

compiled by a citizen of the United States. This article shall not be held to protect against due process of law any citizen of the United States or Chinese subject who may be author, proprietor, or seller of any publication calculated to injure the well-being of China.

Article XII

The Chinese Government having in 1898 opened the navigable inland waters of the Empire to commerce by all steam vessels, native or foreign, that may be specially registered for the purpose, for the conveyance of passengers and lawful merchandise, citizens, firms, and corporations of the United States may engage in such commerce on equal terms with those granted to subjects of any foreign power.

In case either party hereto considers it advantageous at any time that the rules and regulations then in existence for such commerce be altered or amended, the Chinese Government agrees to consider amicably and to adopt such modifications thereof as are found necessary for trade and for the benefit of China.

The Chinese Government agrees that, upon the exchange of the ratifications of this Treaty, Moukden and Antung, both in the province of Sheng-king, will be opened by China itself as places of international residence and trade. The selection of fitting localities to be set apart for international use and occupation, and the regulations for these places set apart for foreign residence and trade, shall be agreed upon by the Governments of the United States and China after consultation together.

Article XIII

China agrees to take the necessary steps to provide for a uniform national coinage which shall be legal tender in payment of all duties, taxes, and other obligations throughout the Empire of China by the citizens of the United States as well as Chinese subjects. It is understood, however, that all Customs duties shall continue to be calculated and paid on the basis of the Haikwan tael.

Article XIV

The principles of the Christian religion, as professed by the Protestant and Roman Catholic Churches, are recognised as teaching men to do good and to others as they would have others do to them. Those who quietly profess and teach these

doctrines shall not be harassed or persecuted on account of their faith. Any person, whether citizen of the United States or Chinese convert, who, according to these tenets, peaceably teaches and practises the principles of Christianity shall in no case be interfered with or molested therefor. No restrictions shall be placed on Chinese joining Christian Churches. Converts and non-converts, being Chinese subjects, shall alike conform to the laws of China; and shall pay due respect to those in authority, living together in peace and amity; and the fact of being converts shall not protect them from the consequences of any offence they may have committed before or may commit after their admission into the Church, or exempt them from paying legal taxes levied on Chinese subjects generally, except taxes levied and contributions for the support of religious customs and practices contrary to their religion. Missionaries shall not interfere with the exercise by the native authorities of their jurisdiction over Chinese subjects; nor shall the native authorities make any distinction between converts and non-converts, but shall administer the laws without partiality, so that both classes can live together in peace.

Missionary societies of the United States shall be permitted to rent and to lease in perpetuity, as the property of such societies, buildings or lands in all parts of the Empire for missionary purposes, and, after the title deeds have been found in order and duly stamped by the local authorities, to erect such suitable buildings as may be required for carrying on their good work.

Article XV

The Government of China having expressed a strong desire to reform its judicial system, and to bring it into accord with that of Western nations, the United States agrees to give every assistance to this reform, and will also be prepared to relinquish extra-territorial rights when satisfied that the state of the Chinese laws, the arrangements for their administration, and other considerations, warrant it in so doing.

Article XVI

The Government of the United States consents to the prohibition by the Government of China of the importation into China of morphia and of instruments for its injection, excepting morphia and instruments for its injection imported for medical purposes, on payment of Tariff duty, and under regulations to be framed by China which shall effectually restrict the use of such

import to the said purposes. This prohibition shall be uniformly applied to such importation from all countries. The Chinese Government engages to adopt at once measures to prevent the manufacture in China of morphia and of instruments for its injection.

Article XVII

It is agreed between the high contracting parties hereto that all the provisions of the several treaties between the United States and China which were in force on the first day of January A.D. 1900, are continued in full force and effect except in so far as they are modified by the present Treaty, or other treaties to which the United States is a party.

The present Treaty shall remain in force for a period of ten years, beginning with the date of the exchange of ratifications and until a revision is effected as hereinafter provided.

It is further agreed that either of the high contracting parties may demand that the Tariff and the Articles of this convention be revised at the end of ten years from the date of the exchange of the ratifications hereof. If no revision is demanded before the end of the first term of ten years, then these articles in their present form shall remain in full force for a further term of ten years reckoned from the end of the first term, and so on for successive periods of ten years.

The English and Chinese texts of the present Treaty and its three annexes have been carefully compared; but, in the event of there being any difference of meaning between them, the sense as expressed in the English text shall be held to be the correct one.

This Treaty and its three annexes shall be ratified by the two high contracting parties in conformity with their respective constitutions, and the ratifications shall be exchanged in Washington not later than twelve months from the present date.

In testimony whereof, we, the undersigned, by virtue of our respective powers, have signed this Treaty in duplicate in the English and Chinese languages, and have affixed our respective seals.

Done at Shanghai this eighth day of October in the year of our Lord one thousand nine hundred and three, and in the twenty-ninth year of Kuang Hsü, eighth month and eighteenth day.

ANNEX 1

As citizens of the United States are already forbidden by treaty to deal in or handle opium, no mention has been made in this Treaty of opium taxation.

As the trade in salt is a Government monopoly in China, no mention has been made in this Treaty of salt taxation.

It is, however, understood after full discussion and consideration, that the collection of inland duties on opium and salt, and the means for the protection of the revenue therefrom and for preventing illicit traffic therein, are left to be administered by the Chinese Government in such manner as shall in no wise interfere with the provisions of Article IV. of this Treaty regarding the unobstructed transit of other goods.

ANNEX 2

Article IV. of the Treaty of Commerce between the United States and China of this date provides for the retention of the native Customs offices at the open ports. For the purpose of safeguarding the revenue of China at such places, it is understood that the Chinese Government shall be entitled to establish and maintain such branch Native Customs offices at each open port, within a reasonable distance of the main Native Customs offices at the port, as shall be deemed by the authorities of the Imperial Maritime Customs at that port necessary to collect the revenue from the trade into and out of such port. Such branches, as well as the principal Native Customs offices at each open port, shall be administered by the Imperial Maritime Customs as provided by the Protocol of 1901.

ANNEX 3

The schedule of Tariff duties on imported goods annexed to this Treaty under Article V. is hereby mutually declared to be the schedule agreed upon between the representatives of China and of the United States, and signed by John Goodnow for the United States, and their Excellencies Lü Hai-huan and Shêng Hsüan-huai for China, at Shanghai, on the sixth day of September A.D. 1902, according to the Protocol of the seventh day of September A.D. 1901.

APPENDIX III

THE COMMERCIAL TREATY BETWEEN JAPAN AND CHINA

HIS MAJESTY THE EMPEROR OF JAPAN and HIS MAJESTY THE EMPEROR OF CHINA, in order to give full effect to the provisions of Article XI. of the final Protocol signed at Peking on the seventh day of the ninth month of the thirty-fourth year of Meiji, corresponding to the twenty-fifth day of seventh moon of the twenty-seventh year of Kuang Hsü, have resolved to conclude a Supplementary Treaty of Commerce and Navigation, designed to facilitate and promote the commercial relations between Japan and China, and have for that purpose named as Their Plenipotentiaries, that is to say:

His Majesty the Emperor of Japan—HIOKI EKI, Jugoi, Fifth Class of the Imperial Order of the Rising Sun, First Secretary of Legation; and ODAGIRI MASNOSKE, Shorokui, Fifth Class of the Imperial Order of the Rising Sun, Consul-General;

And His Majesty the Emperor of China—LÜ HAI-HUAN, President of the Board of Public Works; SHÊNG HSÜAN-HUAI, Junior Guardian of the Heir Apparent, formerly Senior Vice-President of the Board of Public Works; and WU T'ING-FANG, Senior Vice-President of the Board of Commerce;

Who, after having communicated to each other their full powers, found to be in good and due form, have agreed upon and concluded the following Articles:—

ARTICLE I

Whereas China, with the object of reforming its fiscal system, proposes to levy a surtax in excess of the Tariff rates on all goods passing through the Custom Houses, whether maritime or inland and frontier, in order to compensate in a measure for the loss incurred by the complete abolition of likin, Japan consents to pay the same surtax as is agreed upon between China and all the Treaty Powers. With regard to the production tax, consumption tax and excise, and the taxes on native opium and salt, leviable by China, Japan also consents to accept the same arrangements as are agreed upon between all the Treaty Powers

and China. It is understood, however, that the commerce, rights, and privileges of Japan shall not, on account of the above, be placed at any disadvantage as compared with the commerce, rights, and privileges of other Powers.

Article II

The Chinese Government agree to permit Japanese steamship-owners to erect, at their own expense, appliances for hauling through the rapids of that part of the Yangtzekiang between Ichang and Chungking. But as the interests of the population of the provinces of Szechuan, Hunan, and Hupeh are involved, it is therefore necessary that the approval of the Imperial Maritime Customs be obtained before such appliances may be so erected.

These appliances, which shall be at the disposal of all vessels, both steamers and junks, shall not obstruct the waterway nor interfere with the free passage of junks or of persons on the banks of the river. Such appliances shall be subject to special regulations to be drawn up by the Imperial Customs.

Article III

The Chinese Government agree that any Japanese steamer capable of navigating the inland waterways, upon reporting at the Imperial Maritime Customs, may proceed for the purpose of trade from a Treaty Port to places inland, so reported, on complying with the original and supplementary Regulations for Steam Navigation Inland.

Article IV

In case Chinese subjects conjointly with Japanese subjects organise a partnership or company for a legitimate purpose, they shall equitably share the profits and losses with all the members according to the terms of the agreement or memorandum and articles of association and the regulations framed thereunder, and they shall be liable to the fulfilment of the obligations imposed by the said agreement or memorandum and articles of association and the regulations framed thereunder as accepted by them and as interpreted by Japanese Courts. Should they fail to fulfil the obligations so imposed and legal action be taken against them in consequence, Chinese Courts shall at once enforce fulfilment of such obligations.

It is understood that in case Japanese subjects conjointly with Chinese subjects organise a partnership or company, they

shall also equitably share the profits and losses with all the members according to the terms of the agreement or memorandum and articles of association and the regulations framed thereunder. Should such Japanese subjects fail to fulfil any of the obligations imposed by the said agreement or memorandum and articles of association or by the regulations framed thereunder, Japanese Courts shall in like manner at once enforce fulfilment of such obligations by them.

Article V

The Chinese Government agree to make and faithfully enforce such regulations as are necessary for preventing Chinese subjects from infringing registered trade-marks held by Japanese subjects.

The Chinese Government likewise agree to make such regulations as are necessary for affording protection to registered copyrights held by Japanese subjects in the books, pamphlets, maps, and charts written in the Chinese language, and specially prepared for the use of Chinese people.

It is further agreed that the Chinese Government shall establish registration offices where foreign trade-marks and copyrights held by Japanese subjects in protection of the Chinese Government shall be registered in accordance with the provisions of the regulations to be hereafter framed by the Chinese Government for the purpose of protecting trade-marks and copyrights.

It is understood that Chinese trade-marks and copyrights properly registered according to the provisions of the laws and regulations of Japan will receive similar protection against infringement in Japan.

This Article shall not be held to protect against due process of law any Japanese or Chinese subject who may be the author, proprietor, or seller of any publication calculated to injure the well-being of China.

Article VI

China agrees to establish itself, as soon as possible, a system of uniform national coinage, and provide for a uniform national currency, which shall be freely used as legal tender in payment of all duties, taxes, and other obligations by Japanese subjects as well as by Chinese subjects in the Chinese Empire. It is understood, however, that all Customs duties shall continue to be calculated and paid on the basis of the Haikwan tael.

Article VII

As the weights and measures used by the mercantile and other classes for general and commercial purposes in the different provinces of China vary and do not accord with the standards fixed by the Imperial Government Boards, thus resulting in detriment to the trade of Chinese and foreigners, the Governors-General and Governors of all the provinces, after careful inquiry into existing conditions, shall consult together and fix upon uniform standards which, after a memorial to the Throne for sanction, shall be adopted and used in all transactions by officials and people throughout all the Empire. These standards shall be first used in the places opened to foreign trade and gradually extended to inland places. Any differences resulting from divergence between the new weights and measures and those now in vogue shall be equitably settled, whether by way of increase or decrease, according to the amount of such difference.

Article VIII

The Regulations for Steam Navigation Inland of the fifth moon of the twenty-fourth year of Kuang Hsü, and the Supplementary Rules of the seventh moon of the same year, having been found in some respects inconvenient in working, the Chinese Government hereby agree to amend them and to annex such new Rules to this Treaty.

These Rules shall remain in force until altered by mutual consent.

Article IX

The provisions of all treaties and engagements now subsisting between Japan and China, in so far as they are not modified or repealed by this Act, are hereby expressly stipulated; in addition that the Japanese Government, officers, subjects, commerce, navigation, shipping, industries, and property of all kinds shall be allowed free and full participation in all privileges, immunities, and advantages which have been or may hereafter be granted by His Majesty the Emperor of China, or by the Chinese Government, or by the Provincial or Local administrations of China, to the Government, officers, subjects, commerce, navigation, shipping, industries, or property of any other nation.

The Japanese Government will do its utmost to secure to Chinese officers and subjects resident in Japan the most favourable treatment compatible with the laws and regulations of the Empire.

Article X

The high contracting parties hereto agree that, in case of and after the complete withdrawal of the foreign troops stationed in the province of Chihli and of the Legation guards, a place of international residence and trade in Peking will be forthwith opened by China itself. The detailed regulations relating thereto shall be settled in due time after consultation.

The Chinese Government agree to open to foreign trade, within six months from the exchange of the ratifications of this Treaty, Ch'angsha-fu in the province of Hunan, on the same footing as the ports already open to foreign trade. Foreigners residing in this open port are to observe the Municipal and Police regulations on the same footing as Chinese residents, and they are not to be entitled to establish a municipality and police of their own within the limits of this treaty port, except with the consent of the Chinese authorities.

The Chinese Government agree that, upon the exchange of the Ratifications of this Treaty, Moukden and Tatungkow, both in the province of Shengking, will be opened by China itself as places of international residence and trade. The selection of suitable localities to be set apart for international use and occupation, and the regulations for these places set apart for foreign residence and trade, shall be agreed upon by the Governments of Japan and China after consultation together.

Article XI

The Government of China having expressed a strong desire to reform its judicial system, and to bring it into accord with that of Japan and Western nations, Japan agrees to give every assistance to such reform, and will also be prepared to relinquish its extra-territorial rights when satisfied that the state of the Chinese laws, the arrangements for their administration, and other considerations, warrant it in so doing.

Article XII

The present Treaty is signed in the Japanese, Chinese, and English languages. In order, however, to prevent future discussions, the plenipotentiaries of the high contracting parties have agreed that in case of any divergence in the interpretation between the Japanese and Chinese texts of the Treaty, the difference shall be settled by reference to the English text.

Article XIII

The present Treaty shall be ratified by His Majesty the Emperor of Japan and His Majesty the Emperor of China, and the ratifications thereof shall be exchanged at Peking as soon as possible, and not later than six months from the present date.

In witness whereof the respective plenipotentiaries have signed the same and have affixed thereto the seals of their arms.

Done at Shanghai this eighth day of the tenth month of the thirty-sixth year of Meiji, corresponding to the eighteenth day of the eighth moon of the twenty-ninth year of Kuang Hsü.

[*L.S.*] Hioki Eki.
[*L.S.*] Odagiri Masnoske.
Signature of His Excellency Lü Hai-huan.
Signature of His Excellency Shêng Hsüan-huai.
Signature of His Excellency Wu T'ing-fang.

Annex 1

Inland Waters Steam Navigation

Additional Rules

1. Japanese steamship-owners are at liberty to lease warehouses and jetties on the banks of waterways from Chinese subjects for a term not exceeding twenty-five years, with option of renewal on terms to be mutually arranged. In cases where Japanese merchants are unable to secure warehouses and jetties from Chinese subjects on satisfactory terms, the local officials, after consultation with the Governor or Governor-General or Minister of Commerce, shall arrange to provide these on renewable lease, as above mentioned, at current equitable rates.

2. Jetties shall only be erected in such positions that they will not obstruct the inland waterway or interfere with navigation, and with the sanction of the nearest Commissioner of Customs; such sanction, however, shall not be arbitrarily withheld.

3. Japanese merchants shall pay taxes and contributions on these warehouses and jetties on the same footing as Chinese proprietors of similar properties in the neighbourhood. Japanese merchants may only employ Chinese agents and staff to reside in warehouses so leased at places touched at by steamers engaged in inland traffic to carry on their business; but Japanese

merchants may visit these places from time to time to look after their affairs. The existing rights of Chinese jurisdiction over Chinese subjects shall not by reason of this clause be diminished or interfered with in any way.

4. Steam vessels navigating the inland waterways of China shall be responsible for loss caused to riparian proprietors by damage which they may do to the banks or works on them, and for the loss which may be caused by such damage.

In the event of China desiring to prohibit the use of some particular shallow waterway by launches, because there is reason to fear that the use of it by them would be likely to injure the banks and cause damage to the adjoining country, the Japanese authorities, when appealed to, shall, if satisfied of the validity of the objection, prohibit the use of that waterway by Japanese launches, provided that Chinese launches are also prohibited from using it.

Both foreign and Chinese launches are prohibited from crossing dams and weirs at present in existence on inland waterways where they are likely to cause injury to such works, which would be detrimental to the water service of the local people.

5. The main object of the Japanese Government in desiring to see the inland waterways of China opened to steam navigation being to afford facilities for the rapid transport of both foreign and native merchandise, they undertake to offer no impediment to the transfer to a Chinese company and the Chinese flag of any Japanese steamer which may now or hereafter be employed on the inland waters of China, should the owner be willing to make the transfer.

In the event of a Chinese company registered under Chinese law being formed to run steamers on the inland waters of China, the fact of Japanese subjects holding shares in such a company shall not entitle the steamers to fly the Japanese flag.

6. Registered steamers and their tows are forbidden, just as junks have always been forbidden, to carry contraband goods. Infraction of this rule will entail the penalties prescribed in the treaties for such an offence and cancellation of the Inland Waters Navigation Certificate carried by the vessels, which will be prohibited from plying on inland waters.

7. As it is desirable that the people living inland should be disturbed as little as possible by the advent of steam vessels to which they are not accustomed, inland waters not hitherto frequented by steamers shall be opened as gradually as may be convenient to merchants, and only as the owners of steamers may see prospect of remunerative trade.

In cases where it is intended to run steam vessels on water-

ways on which such vessels have not hitherto run, intimation shall be made to the Commissioner of Customs at the nearest open port, who shall report the matter to the Ministers of Commerce. The latter, in conjunction with the Governor-General or Governor of the province, after careful consideration of all the circumstances of the case, shall at once give their approval.

8. A registered steamer may ply within the waters of a port, or from one open port or ports to another open port or ports, or from one open port or ports to places inland, and thence back to such port or ports. She may, on making due report to the Customs, land or ship passengers or cargo at any recognised places of trade passed in the course of the voyage; but may not ply between inland places exclusively except with the consent of the Chinese Government.

9. Any cargo and passenger boats may be towed by steamers. The helmsman and crew of any boat towed shall be Chinese. All boats, irrespective of ownership, must be registered before they can proceed inland.

10. The above Rules are supplementary to the Regulations published in the fifth and seventh moons of the twenty-fourth year of Kuang Hsü, which remain in full force and effect in so far as they are not modified by the Rules now agreed upon.

The present Rules and the Regulations of the fifth and seventh moons of the twenty-fourth year of Kuang Hsü may hereafter be modified, as circumstances require, by mutual consent.

Done at Shanghai this eighth day of the tenth moon of the thirty-sixth year of Meiji, corresponding to the eighteenth day of the eighth moon of the twenty-ninth year of Kuang Hsü.

[*L.S.*] HIOKI EKI.
[*L.S.*] ODAGIRI MASNOSKE.
Signature of His Excellency LÜ HAI-HUAN.
Signature of His Excellency SHÊNG HSÜAN-HUAI.
Signature of His Excellency WU T'ING-FANG.

ANNEX 2

IMPERIAL JAPANESE COMMISSIONERS FOR TREATY REVISION TO IMPERIAL CHINESE COMMISSIONERS FOR TREATY REVISION

SHANGHAI, *the 8th day of the 10th month of the 36th year of Meiji.*

GENTLEMEN—According to Article III. of the present Treaty the Chinese Government agree that any Japanese steamer capable

of navigating the inland waterways, upon reporting at the Imperial Maritime Customs, may proceed for the purpose of trade from a Treaty Port to places inland, so reported, on complying with the Original and Supplementary Regulations for Steam Navigation Inland.

It is understood that all classes of Japanese steamers, whatever their size, provided they are capable of navigating the inland waterways, may on complying with the Regulations receive an Inland Waters Certificate and carry on trade with inland places, and the Chinese Government will in no case raise difficulties and stop such steamers from plying to and from inland places.

We have the honour, in order to prevent future misunderstandings, to address this dispatch to your Excellencies and to request that instructions be sent to the Inspector General of Maritime Customs to act in accordance with this understanding. We have further the honour to request a reply from your Excellencies.—We have the honour to be, gentlemen, your obedient servants,

(Signed) HIOKI EKI.
(Signed) ODAGIRI MASNOSKE.

Their Excellencies

LÜ HAI-HUAN,
SHÊNG HSÜAN-HUAI,
WU T'ING-FANG,

His Imperial Chinese Majesty's Commissioners for Treaty Revision.

ANNEX 3

IMPERIAL CHINESE COMMISSIONERS FOR TREATY REVISION TO IMPERIAL JAPANESE COMMISSIONERS FOR TREATY REVISION

SHANGHAI, *the 18th day of the 8th moon of the 26th year of Kuang Hsü.*

GENTLEMEN—We have the honour to acknowledge the receipt of your Excellencies' dispatch of this date, written with a view of preventing future misunderstandings, to the effect that, in accordance with the provisions of Article III. of the present Treaty, all classes of Japanese steamers, whatever their size, provided they are capable of navigating the inland waterways, may on complying with the Regulations receive an Inland Waters Certificate, and ply to and from inland places, and that the Chinese Government will in no case raise difficulties and stop them.

During the negotiations of this Article, we received a list from

your Excellencies of the Japanese steamers—viz.: Sanyo Maru, Setagawa Maru, Hiuga Maru, Urato Maru, Neisei Maru, Heian Maru, Taiko Maru, Yoshino Maru, Meiko Maru, Fukuju Maru, Hijikawa Maru, Nagata Maru, Kyodo Maru, Horai Maru, Kwanko Maru, Keiko Maru, Kinriu Maru, Zensho Maru, and Kohei Maru, ranging from one hundred and twenty-one tons to four hundred and ten tons register—plying from Chefoo to inland places in Manchuria, under Inland Waters Certificate and in accordance with the Regulations for Steam Navigation Inland, which vessels have not been prevented from doing so on account of their class.

At that time we instructed the Deputy Inspector-General of Customs to make inquiries into the records of the Custom Houses, and he reported that the circumstances were in accordance with your Excellencies' statement.

In consequence of the receipt of your Excellencies' dispatch we shall communicate with the Waiwupu, and request that instructions be sent to the Inspector-General of Customs to take these circumstances into consideration and to act accordingly, and we have the honour to write this dispatch for purposes of record.—We have the honour to be, gentlemen, your obedient servants,

Signature of His Excellency LÜ HAI-HUAN.
Signature of His Excellency SHÊNG HSÜAN-HUAI.
Signature of His Excellency WU T'ING-FANG.

Their Excellencies
HIOKI EKI,
ODAGIRI MASNOSKE,
His Imperial Japanese Majesty's Commissioners
for Treaty Revision.

ANNEX 4

IMPERIAL JAPANESE COMMISSIONERS FOR TREATY REVISION TO IMPERIAL CHINESE COMMISSIONERS FOR TREATY REVISION

SHANGHAI, *the 8th day of the 10th month of the 26th year of Meiji.*

GENTLEMEN—The provision contained in No. 9 of the Supplementary Rules governing steam navigation on inland waters, published in the seventh moon of the twenty-fourth year of Kuang Hsü, regarding the appointment of an officer to collect dues and duties, not having in all cases been given effect to, we have the honour to request that Your Excellencies' Government will again issue instructions to all Provinces to give strict effect to this provision, as it is a matter of importance.

We trust that your Excellencies will comply with the request contained in this dispatch, and that you will favour us with a reply.—We have the honour to be, gentlemen, your obedient servants,

(Signed) HIOKI EKI.
(Signed) ODAGIRI MASNOSKE.

Their Excellencies
LÜ HAI-HUAN,
SHÊNG HSÜAN-HUAI,
WU T'ING-FANG,
His Imperial Chinese Majesty's Commissioners
for Treaty Revision.

ANNEX 5

IMPERIAL CHINESE COMMISSIONERS FOR TREATY REVISION TO IMPERIAL JAPANESE COMMISSIONERS FOR TREATY REVISION

SHANGHAI, *the 18th day of the 8th moon of the 29th year of Kuang Hsü.*

GENTLEMEN—We have the honour to acknowledge the receipt of your Excellencies' dispatch of this date, to the effect that the provision contained in No. 9 of the Supplementary Rules governing steam navigation on inland waters, published in the seventh moon of the twenty-fourth year of Kuang Hsü, regarding the appointment of an officer to collect dues and duties, not having in all cases been given effect to, you request that instructions be again issued to all Provinces to give strict effect to this provision, as it is a matter of importance.

We have noted the above, and have communicated with proper authorities in order that action may be taken, and have now the honour to write this reply for your Excellencies' information.—We have the honour to be, gentlemen, your obedient servants,

Signature of His Excellency LÜ HAI-HUAN.
Signature of His Excellency SHÊNG HSÜAN-HUAI.
Signature of His Excellency WU T'ING-FANG.

Their Excellencies
HIOKI EKI,
ODAGIRI MASNOSKE,
His Imperial Japanese Majesty's Commissioners
for Treaty Revision.

Annex 6

Imperial Chinese Commissioners for Treaty Revision to Imperial Japanese Commissioners for Treaty Revision

Shanghai, *the 18th day of the 8th moon of the 29th year of Kuang Hsü.*

Gentlemen—According to the provision of Article X. of this Treaty, regarding the establishment in Peking of a place of international residence and trade, it is agreed that in case of and after the complete withdrawal of the foreign troops now guarding the legations and communications, a place in Peking outside the inner city, convenient to both parties and free from objections, shall be selected and set apart as a place where merchants of all nationalities may reside and carry on trade. Within the limits of this place merchants of all nationalities shall be at liberty to lease land, build houses and warehouses, and establish places of business; but as to the leasing of houses and land belonging to Chinese private individuals, there must be willingness on the part of the owners, and the terms thereof must be equitably arranged without any force or compulsion. All roads and bridges in this place will be under the jurisdiction and control of China. Foreigners residing in this place are to observe the Municipal and Police Regulations on the same footing as Chinese residents, and they are not to be entitled to establish a municipality and police of their own within its limits except with the consent of the Chinese authorities. When such place of international residence and trade shall have been opened and its limits properly defined, the foreigners who have been residing scattered both within and without the city walls, shall all be required to remove their residence thereto, and they shall not be allowed to remain in separate places, and thereby cause inconvenience in the necessary supervision by the Chinese authorities. The value of the land and buildings held by such foreigners shall be agreed upon equitably, and due compensation therefor shall be paid. The period for such removal shall be determined in due time, and those who do not remove before the expiry of this period shall not be entitled to compensation.

We have considered it to be to our mutual advantage to come to the present basis of understanding in order to avoid future unnecessary negotiations, and we beg that your Excellencies will

consider and agree to it and will favour us with a reply.—We have the honour to be, gentlemen, your obedient servants,

Signature of His Excellency LÜ HAI-HUAN.
Signature of His Excellency SHÊNG HSÜAN-HUAI.
Signature of His Excellency WU T'ING-FANG.

Their Excellencies
HIOKI EKI,
ODAGIRI MASNOSKE,
His Imperial Japanese Majesty's Commissioners
for Treaty Revision.

ANNEX 7

IMPERIAL JAPANESE COMMISSIONERS FOR TREATY REVISION TO IMPERIAL CHINESE COMMISSIONERS FOR TREATY REVISION

SHANGHAI, *the 8th day of the 10th month of the 36th year of Meiji.*

GENTLEMEN—We have the honour to acknowledge the receipt of your Excellencies' dispatch of this date, in which you state that—

"According to the provision of Article X. of this Treaty, regarding the establishment in Peking of a place of international residence and trade, it is agreed that in case of and after the complete withdrawal of the foreign troops now guarding the legations and communications, a place in Peking outside the inner city, convenient to both parties and free from objections, shall be selected and set apart as a place where merchants of all nationalities reside and carry on trade. Within the limits of this place merchants of all nationalities shall be at liberty to lease land, build houses and warehouses, and establish places of business; but as to the leasing of houses and land belonging to Chinese private individuals, there must be willingness on the part of the owners, and the terms thereof must be equitably arranged without any force or compulsion. All roads and bridges in this place will be under the jurisdiction and control of China. Foreigners residing in this place are to observe the Municipal and Police Regulations on the same footing as Chinese residents, and they are not to be entitled to establish a municipality and police of their own within its limits except with the consent of the Chinese authorities. When

such place of international residence and trade shall have been opened and its limits properly defined, the foreigners who have been residing scattered both within and without the city walls, shall all be required to remove their residence thereto, and they shall not be allowed to remain in separate places and thereby cause inconvenience in the necessary supervision by the Chinese authorities. The value of the land and buildings held by such foreigners shall be agreed upon equitably, and due compensation therefor shall be paid. The period for such removal shall be determined in due time, and those who do not remove before the expiry of this period shall not be entitled to compensation.

"We have considered it to be to our mutual advantage to come to the present basis of understanding in order to avoid future unnecessary negotiations, and we beg that your Excellencies will consider and agree to it and will favour us with a reply."

In reply we beg to inform you that we agree generally to all the terms contained in the dispatch under acknowledgment. As to the detailed regulations, these shall in due time be considered and satisfactorily settled in accordance with Article X. of this Treaty; but it is understood that such regulations shall not differ in any respect to our prejudice from those which may be agreed upon between China and other Powers. We have the honour to send your Excellencies this communication in reply and for your information.—We have the honour to be, gentlemen, your obedient servants,

(Signed) HIOKI EKI.
(Signed) ODAGIRI MASNOSKE.

Their Excellencies
LÜ HAI-HUAN,
SHÊNG HSÜAN-HUAI,
WU T'ING-FANG,
His Imperial Chinese Majesty's Commissioners
for Treaty Revision.

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